IMPACT OF RURAL SAVINGS ON ECONOMIC EMPOWERMENT IN NIGERIA

BY

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BEING A THESIS SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF A MASTER OF SCIENCE (M.SC), DEGREE IN ACCOUNTING AND FINANCE

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DECLARATION

I hereby declare that this thesis is the product of my research efforts, and has to the best of knowledge, never been previously presented in and submitted for a higher degree in any university or any higher institution of learning for any degree. All works and articles consulted have been duly acknowledged in the bibliography

JOSHUA Samuel Gambo ------------------- 9/11/10

Signature Date

CERTIFICATION

This thesis entitled "Impact of Rural Savings on Economic Empowerment in Nigeria by JOSHUA, Samuel Gambo meets the regulations governing the award of degree of Master of Science (Accounting and Finance) of Ahmadu Bello University, Zaria and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

To God Almighty for His Love and Grace over my life and to the most wonderful people in my life – My Mum and Dad for all the love and care they have shown me.

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ABSTRACT

Despite widespread poverty in the rural areas of Nigeria, untapped savings do exist that could be used for capital accumulation and economic empowerment. The level of funds mobilized by banks is quite low due to poor banking habits and cultural orientation of the people. Most banks are located in urban or semi-urban areas denying majority of rural populace access to formal banking services that could have enhance their investment potential. It is against this background that this study assessed the impact of rural savings mobilization on economic empowerment in Nigeria. A descriptive research method was adopted for this study. Chi-square and Regression Analysis was used in testing the hypothesis formulated for the study. The findings of the study showed that rural savings institutions have a significant impact on economic empowerment in Nigeria through savings mobilization and loans given to people for investment purposes. It also revealed that the level of savings is significant and attitude of rural people towards savings institutions is positive. Based on the hypotheses tested it is therefore recommended that there should be financial intermediaries to mobilizes rural savings through adequate enlightenment of the rural populace on the importance of savings and the benefits to savers and the economy.

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CHAPTER ONE
INTRODUCTION

1.1 Background to the Study

Savings do exist among people since time immemorial. In Nigeria, savings depend largely on the culture of the people, occupation, and level of income. Overtime, savings have dropped significantly with major attention diverted to other economic activities (Efam, 2008). Rural communities in Nigeria are veritable sources of generating meaningful investment savings in order to better standard of living which is one of the measure of economic development. Many literatures have shown that, savings is a major key to economic growth and development through increase in investments. As investible savings increase, growth will be witness in the economy and hence economic empowerment.

In the words of Alade (2006), savings are as important to the corporate world and the general government, as they are to households. This is because, savings provide independence and allow the savers to plan for the future, as well as secure investment for enhanced production and growth. In most economies all over the world, households' savings constitute a substantial proportion of aggregate national savings and they play two key roles. First, they offer potential benefits to savers such as security, if things go wrong and comfort in old age, as well as independence and opportunity throughout the savers lives and secondly, households' savings are an important source of capital to fund investment and growth in the economy (Alade, 2006). From the above, one can rightly say that savings are important in the economic growth of any nation which is equally important to households that exist in the rural areas.

Accordingly, African countries' ability to finance a greater share of their developmental needs from domestic sources would give them the much needed flexibility in the formulation and implementation of policies that will address developmental challenges, direct resources into high priority areas and strengthen state capacity (Efam, 2008).

Navin (1989) is of the opinion that, however poor any economy may be, there will be need for institutions which allow savings to be collected and invested conveniently and safely and which ensure that they are channeled into most useful purposes. The poorer a country is in fact, the greater is the need for agencies to collect savings of the broad mass of persons and institutions within its borders. Such agencies will not only permit small amount of savings to be handled and invested conveniently but will allow the owner of the savings to retain liquidity individually but influence long-term investment collectively.

According to Frimpon-Ansah (1992), the growth of the developing countries is essential to their economic and social progress. He further suggested that growth depends largely on the availability of the funding. In this connection, it appears that the mobilization of domestic savings has an increasingly decisive role to play in an economy because of the series of global financial crisis. Furthermore, the developing countries do have untapped savings potential.

There is the need for policy makers in Nigeria to concern themselves with how to attain the highest level of long-term savings which in turn would properly service investment needs particularly the type of investment that would perfectly drive the economic reform agenda as outlined in the National Economic Empowerment and Development Strategy (NEEDS) programme in 2004.

However, the aim of this research work is to assess the impact of rural savings on economic empowerment in Nigeria, and to give recommendations on how to encourage savings in rural areas which in turn will help mobilize the largest possible economic resources for economic empowerment in Nigeria.

1.2 Statement of the Problem

Globally, the importance of savings cannot be overemphasized, in that countries with high level of savings tend to have high level of investment, economic growth and lower inflation rate (Thirlwal, 2009). One major problem is that of how to collect the largest possible savings and make them work for economic development in rural areas. There are supposed to be financial intermediaries to collect these savings; and to make sure that these savings find investment outlets which will then create more jobs, income and enhance economic growth and development in an economy.

Despite widespread poverty in the rural areas in Nigeria, there still exists untapped savings potential. The level of funds mobilization by banks is quite low due to a number of reasons ranging from low savings deposits to poor banking habits or culture of the people (Nnanna *et al.*, 2004). Most banks are located in the Urban/Semi-urban areas denying the rural people access to banking facilities. The attitude of the banks toward small savers is another disincentive to savings mobilization. Most banks target corporate and government deposits paying little or no attention to small savers who are mostly found in the rural areas. Lack of trust and confidence in banks due to banking failure is another major problem to savings mobilization. Poor knowledge of banking services and benefits to individual savers is another disincentive to savings mobilization as most people believe that banks are meant for the rich and educated members of the society.

Rural savings that could have been used to fund investment activities that would have had positive impact on the economy are poorly harness. In this regard, a study on the impact of rural savings on economic empowerment in Nigeria is justifiable.

1.3 Objectives Of The Study

The main objective of this study is to assess the impact of rural savings on economic empowerment in Nigeria. Other specific objectives are to:

i. Appraise the effectiveness of the existing rural savings institutions on economic empowerment in Nigeria;

ii. Find out the level of savings in the rural areas; and

iii. Examine the attitude of rural people towards savings institutions.

1.4 Research Hypotheses

For the purpose of this research, the following hypotheses are formulated to guide the study:

H_{O1}: Rural savings Institutions have no significant impact on economic empowerment in Nigeria.

H_{A1}: Rural savings Institutions have significant impact on economic empowerment in Nigeria.

H_{O2}: Level of savings is significantly low in the rural areas of Nigeria.

H_{A2}: Level of savings is significant in the rural areas of Nigeria.

H_{03}: Rural people have negative attitude towards savings Institutions. .

H_{A3}: Rural people have positive attitude towards savings Institutions.

1.5 Significance Of The Study

The significance of this research is far reaching. It assessed the impact of rural savings on economic empowerment in Nigeria; and suggests ways on how the largest possible savings can be mobilized for economic empowerment. It is of immense benefit to the following:

i. Government: This research work pointed out the problems of savings in the rural areas; impact of rural savings Institutions on economic empowerment, level of savings in the rural areas, attitude of rural people towards savings Institutions and gave recommendations. This will enable the government formulate policies that will help encourage savings and tackle problems of the rural savings, for the economic empowerment of the people;

ii. Banks: It pointed out the attitudes of rural people towards banks and this will enable banks improve their relationship with the rural people thereby attracting more customers and increase savings.

iii. Rural populace: It pointed out the importance of the formal savings Institutions and the benefits the rural people stand to gain from banks. This will help increase the level of savings and sources of funding for economic activities in rural areas. This in turn will translate to economic empowerment of the rural people;

iv. Other researchers: It laid a foundation for further research to other researchers willing to carry out similar researches in the areas of savings. It will also serve as a resource material to interested researchers.

v. Educational Institutions/Students: It added to already existing knowledge in the area of savings in educational Institutions and among students. It will serve as a reference material to lecturers, students and research Institutions.

1.6 Scope Of The Study

This study focused on Nigeria. It covered a period of ten (10) years from 1997 - 2006. In order to address issues that cannot be tackled using secondary data, questionnaire was administered to respondents in two Local Government Areas each selected from the three senatorial zones in Kaduna which is the location of the researcher.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter reviewed relevant literature on the impact of rural savings on economic empowerment. The chapter contains conceptual literature on savings, functions of savings institutions and determinants of savings. It also contained the concept of economic empowerment, theories of investments, empirical studies on savings and investments, microfinance and rural savings mobilization and conclusion.

2.2 Conceptual Literature On Savings

The importance of the rural households in Nigeria is a matter of concern. Their economic well-being in the future will depend on the availability of the investible funds. They must therefore, be able to save and invest. The availability of investible funds is therefore regarded as a necessary starting point for all investments in the economy which will eventually translate to economic growth and development (Uremadu, 2006). While this fact alone justifies a study of investment of the rural people, the structure of the rural people also gives rise to distinctive economic behaviour. It is a known fact that capital generation is an important and sufficient ingredient for economic growth and also same as savings.

Consequently, the surest route to economic growth is then one of increasing savings and meeting consumption needs. This was also the position of Deaton (1991), when he stated that, it is often held that capital accumulation is a necessary and sufficient condition for growth and capital accumulation is almost synonymous with savings; hence the route to growth is then one of raising savings and smoothing consumption.

Savings is one of the key relevant macro-economic variables in any economy, its impact on the rate of the capital accumulation, productivity and the degree of dependency of a nation on foreign ownership of domestic assets cannot be over-emphasized (Akperan and Akomaye, 2006). Studies have shown that countries with high level of savings have high level of investment and economic growth, Japan, Taiwan, U.S.A, United Kingdom, Korea are typical example. Savings are by far the most frequently source of funding for micro enterprise starting and expansion. Developing countries with high savings ratio also prove to have high investment and growth ratios and lower inflation. In this countries, capital as a factor of production contributes more to economic growth as the saving ratio is high. This means increase in investment will then translates to economic growth and hence economic empowerment of the people. Countries with low level of the domestic savings may have to resort to foreign borrowing. If the elasticity of substitution is high then such a country suffers from a perpetual payment of deficit. The debt-service burden may be such that the prospect of further economic growth are limited (Akperan and Akomaye, 2006). Most developing countries are in such crisis; this is also evident in Nigeria for decades.

However, prior to 1980 in Nigeria as well as in many developing countries, successive governments have implemented various agricultural and rural development policies all in an effort to address perceived shortfall in rural credit, stimulate rural employment and productivity. Under these schemes, institutional resources, programmes efforts and government agencies were devoted through parastatals – based top – bottom interventions, to implement mostly supply-led financial development strategies. That is the channeling of government funds to rural entrepreneurs and small farmers (Yaron, 1992).

This prompted the government in Nigeria to establish the defunct Nigerian Agricultural and Co-operative Bank (NACB). It financed agricultural projects through loans to farmers. Others like the Nigeria Bank for Commerce and Industry (NBCI), People Banks for Nigeria (PBN) as well as special banks for local areas – Communities banks (CBs) were also established. Government also made it mandatory for commercial banks and merchant banks to finance agricultural sector through loans. There was also the rural banking scheme of the Central Bank, the Nigeria Agricultural Guarantee Scheme, National Agricultural Scheme, National Agricultural Land Development Authorities, the Family Economic Advancement Programme (FEAP) and perhaps the National Economic Empowerment Development Strategies (NEEDS). Likewise, until recently, most international summits and conferences on how to address the issues of financing Africa's social and economic development, is focused on how to mobilize more foreign resources. Attention has now shifted to how to mobilize local resources through saving mobilization. This has prompted policies makers to focus more on how to better mobilize domestic resources. As a result in July, 2007, African leaders launched an initiative that would help mobilized local resources for financing Africa's development needs through the Pan-African infrastructure development fund (PAIDF) under the Africa's development blueprint-the new partnership for Africa's development (NEPAD). It seeks to raise money from public and private pension funds and firms that manage assets in Africa.

In spite of the above effort of the government less is achieved in the rural areas. This is partly because, these institutions were not designed to function as "true" financial intermediaries that mobilize deposits to make loans, they lack the obligation to operate under financial viability constraints, nor were they driven by commercial financial performance criteria.

2.3 Functions of the Savings Institutions

Savings Institutions are financial intermediaries that raise funds mainly through time and checkable deposits and use the funds to provide loans principally for investment, home mortgages etc. Savings Institutions play very crucial role in savings mobilization. They intermediate by making funds available to all economic agents. The intermediation process involves moving funds from surplus sectors/units of the economy to deficits sectors/units (Uremadu, 2006).

The extent to which this is achieved depends on the level of development of the financial sector and also the savings habit of the people within the economy. The study of the various savings institutions is as important as the savings.

For the purpose of this study, the savings institutions are divided into two – Formal and Informal savings Institutions.

a. Formal Savings Institutions

They are legally registered institutions established to carry out financial functions in Nigeria under a regulated central monetary or financial market authority. Here we refer to Commercial banks, Micro finance banks and other development institutions.

However, this study restricted itself to commercial and microfinance banks. Commercial banks create wealth, this is achieve in two ways – first on small scale (micro), when an individual deposits his money with a commercial bank; second, on a large scale by the action of commercial banks in lending. From the above, two important functions are performed by the banking industry.

(i) The acceptance of deposit; and

(ii) The loan of money.

These two functions are crucial to the development of any nation. By accepting deposits, they help draw money from small and large savers; and by lending the money, they help put the money in the hands of investors.

Banks are indispensable tools for attracting savings and investments. The level of funds mobilization by banks is quite low due to a number of reasons, ranging from low savings deposits rates to poor banking habits or culture of the people (Nnanna *et al.,* 2004). They also pointed out that the attitude of banks toward small savers as another disincentive to savings mobilization. Most banks target corporate and government deposits paying little or no attention to small savers. Most rural people do not have access to banks because most of the banks are located in urban or semi urban areas. Apart from the above two functions they perform another major function known as capital flow system or remittances. Remittances are incomes sent to developing countries from migrant workers through wire services or banks. They represent the second largest sources behind foreign direct investment (FDI), of development financing (Dilip, 2003). Though the extent of remittances flows are difficult to accurately assess because a great portion is sent through the informal channels (Puri and Ritzema, 1999). It is estimated that in 2003, $88 billion was sent to developing countries from migrant workers (UNCDF and ILO, 2004). They also reported that, among low-income developing countries, formal remittances sent through wire services or banks represent 2.9% of the total GDP ($26Billion) and 380% of FDI.

Remittances are also a source of savings and also used for investments purposes, consumption, housing construction, land purchase; children school fees, medical bills and etc. These can make up the largest sources of family disposable income which can be partly saved. Lesotho receives remittance payments totaling 27% of the countries' entire GDP and remittances in Cape

Verde amounted to 14% of the countries' GDP (ILO, 2004). In Bangladesh, remittances totaled $3.06 billion in 2003 (World Bank, 2003). Remittances are relatively steady sources of income and have significant impact on the development of the developing countries.

Government policies are keys for efficient financial intermediation. A slight change in policy can have a major effect than the largest-building projects. ILO supported research in Africa shows, for example, slight modification in the rules for market access, regulation and supervision and monetary policies can have a tangible effect on the access of micro entrepreneurs to a regular supply of affordable investment finance (ILO, 2004).

In its efforts to improve the rural areas, the federal government of Nigeria in 1977 ordered all the commercial banks in the country to establish their branches in the rural areas. This was done through the CBN with the aim of extending banking services and improving banking habits of the vast majority of the people especially in the rural areas. Government policy in this broad order was pointed towards the approach of commercial banks to rural banking as regards:

i. Mobilization of rural savings,

ii. The allocation of credit among productive activities.

iii. The institution of commercial bank as a back-up for newly introduced government programmes,

iv. The linkage of money markets in these fields especially in the rural areas, with capital markets of the rest of the economy; and

v. The efficient allocation of resources among areas and regions.

The main goal was to transform the economy into a viable one and to empower the people economically.

b. Informal Savings Institutions

These are unorganized, non-institutional and local markets carrying out financial services outside the regulation of a central or financial market authority (Adams and Fetched, 1992). The concept of informal financial sectors refers to those financial activities that are often not recorded and take place outside institutions, and consequently not regulated. Some mobilize savings and do lending while some engaged only on lending. (Aryeetey, 1994; Soyibo, 1994; Bagachwa, 1994; and Akanji, 1998). The activities of informal savings institutions cover all financial transactions that take place outside the functional scope of banking and other financial sector regulation in the country. These activities are often unrecorded and unregulated but legal (Soyibo, 1994).

In Nigeria, most of these informal institutions are voluntary organizations. Members are admitted on a voluntary basis. All transactions are based on mutual agreement and trust among members. Financial transactions involve the exchange of money in the present for a promise to pay in the future. The ability to ensure these contracts is crucial for the survival of financial intermediaries. Unlike the formal institutions, transactions in the informal rarely involve legal documentations.

These informal savings institutions perform the following functions:

a. Collect savings.

b. Finance transactions on mutual agreements; and

c. Mediate between savers and borrowers. This study shall be restricted to the following:

i. Door-to-Door Thrift

Under this agreement, poor people often pay others to collect and keep their savings; deposit collectors visit clients often at their door step, market stall, workshops, etc, to pick up a small but fixed amount as deposit (Ononugbo and Nwosu, 2006). The accumulated amount is return at the end of the month minus one day's deposit as commission. These mobile bankers form a symbiotic relationship with the traders, protecting daily earnings from competing claims and ensuring working capital to restore supplies at the end of the month (Miracle and Cohen 1980; Aryeetey and Steel, 1995). Savings collectors place most of their deposits in the banks for safekeeping, but sometimes extent advances to their best clients before the end of the month. This is one of the modern unorganized financial schemes, existing both in the rural and urban areas; evidence about this form of financial scheme is more prevalent in semi- urban areas; it is usually referred to as mobile banking system (Iganiga and Asemota, 2008). It involves the money collector (Banker) and his or her clients (Depositors) and the mode of operation is very simple. The collector simply designed a card backed up with a big note book that carries the names of the saving collecting agency, address, name of the operator and sometimes his or her passport photograph. The name of the depositor and address are also written on the card and the note book. The card contain boxes representing the number of days of the month or market days.

According to Iganiga and Asemota, (2008), the operation of the system involves the following:

a. The card is handed over by the collector to the client;

b. The client and the collector agree on a daily or weekly or markedly amount to be paid as savings;

c. At the end of the month (or as agreed upon), the collector would return the amount contributed less a charge for the services. The collector and the client would then endorse the positions provided for collectors' signature together with the amount paid to the client. All details of the transaction would be entered on the card and note book which acts as a back up in the event of missing card.

The system works very well most especially when the collector is highly prudent and trusted and when he or her has a good reputation that alley the fear of his or her running away with the clients' deposits. One major attribute of the system is that it is very flexible and simple, it is important for the collector to be conversant with the rural economy and the schedule of his clients. This will enable him or her to schedule his activities appropriately. The time and days of deposit collection could be agreed between the clients and the collectors.

ii. Rotating Savings and Credit Associations (ROSCAS)

They go by such names in Africa as Isusu (Igbo), Etibe (Ibibio), Esusu (Yoruba), Adashi (Hausa) in Nigeria; Gamaiyah (Egypt), Susu (Ghana), Tortine in Niger and Cameroon. They operate based on mutual agreement and trust. ROSCAS are membership groups in which members pay in set amount at regular intervals to a common pool, which usually goes round to each member in turn (usually randomly, but some variations allow biding). Mutual trust offset the risk that earlier recipient will drop out. Also because each member of a large group losses very little by the non-cooperation or default of one member, there is little incentive to pressurize the defaulting members (Eboh, 2000). Members sometimes save jointly toward community objectives such as school fees, annual festivals or increase the accumulated amount.

iii. Savings and Credit Co-operative (SCCS), or Societies

They raise savings and make loans to members. They are owned and managed by members of the societies themselves. Each member has an equal voting right in the decision making irrespective of the number of shares held. In Nigeria most of these co-operatives lack viability; they are financed and managed by members in line with earlier co-operatives. Members contribute periodically or take on shares, a large viable co-operative can attract loans from commercial banks,

The society enables its members to pool their resources, in terms of money and man-power, toward owing or buying goods at moderate prices. They also gain profits or dividends from the organizations. The societies also enable members to obtain material supplies from the manufacturing firms at wholesale prices. Members back-up by the society can also obtain financial and or other kinds of assistance from the government and its agencies. The society also acts as a social forum for members. They could bring their problems and be helped in findings solution. Though informal savings mechanism is useful, they however, do not remove the need for formal services (Ononugbo and Nwosu, 2006).

2.4 Factors Determining Savings

Most researches list numerous factors that determine savings, notably households' savings. It has been discovered that the range of determinants that are significance in Africa are rather limited (Frimpon-Ansah, 1987). In general, factors that determine savings will be discussed under the following headings.

i. Income

Most studies have confirmed the dominant role of income as a determinant of savings albeit with variations in the concept of income which is used. These studies have either used the Keynesian absolute income hypothesis or Milton Friedman's permanent hypothesis. Savings is an increasing function of income (Juster and Taylor, 1975). Other studies held that there exist a positive relationship between savings and income growth rates. Some of these studies are Madiglini (1970), Madison (1992), Bostworth (1993), and Carroll and Weil (1993).

The permanent income hypothesis has the advantage of distinguishing permanent from transitory income. In theory, it is a concept well suited to the circumstance of Nigeria and other African countries where changes in world prices create a large transitory element in income.

But to be useable in an empirical investigation, the permanent income defined by Friedman (1957) as long-run income expectation has to be measurable. This is the hindrance for using permanent income variable in an empirical work, especially where there is limited data. In developing countries, a doubling of income per capita is estimated to raise long-run savings by 10 percentage point of disposable income (Loayza et al, 2000).

ii. Growth

Controversy is still raging as to its structural interpretation, since some see it as evidence that savings derives growth, the savings – investment link and others as evidence that it is Growth that derives savings (Loayza, Schmidt-Habbel and Serven, 2000). They also explored a panel instrumental variable to estimate the impact of income growth on savings, their result shows a 10 percentage point rise in growth rate increases the savings rate by a similar amount.

Deaton and Paxson (2000) opined that the correlation between savings and growth on savings of individual determine their consumption plans on the basis of their respective income profile. They arrived at this after using the household data. Thus, when wealth is introduced into the life-cycle model as an additional explanatory variable, the model yields ambiguous result about the relationship between savings and growth (Nwachukwu and Egwaikhide, 2007).

iii. *Interest Rate*

The life-cycle model predicts that a higher interest increases the current price of consumption vis-à-vis the future, thus leading to an increase in savings, this is a substitution effect (Nwachukwu and Egwaikhide, 2007). A higher rate of interest encourages savings (positive substitution effect), but also causes unearned income to grow faster, thus lessening the need to save (negative income effect).

In empirical studies, the rate of interest is often found to have a positive effect on savings, but there are also studies showing a negative effect or a non significant outcome of interest rate (Smith, 1990).

The relationship between real interest and savings is positive for a developing economy (Athukorala and Sen, 2004). This is based on the fact that the financial markets of these countries are not fully developed. In an environment where self-financing and bank loans make up the bulk of investment funds, accumulation of financial savings is determined more by the desire to invest than the desire to live on interest income (Nwachukwu and Egwikhide, 2007).

Mckinnon (1973) opined that high interest rates induce savings. Other studies like Shaw (1973), and Adekanye and Soyibo (1991) are of the same view. Uremadu (2006) found a negative correlation between real interest rates and national savings.

iv. **Inflation and Macro Economic Uncertainty**

Economic theory has it that as the inflation rate increases, the real value of assets declines. In order to avoid such erosion, economic agents tent to increase their cash balance during period of inflation. Inflation reallocates real-wealth, the public debt decrease in real terms at the expense of the government bond holder. If the Ricardian equivalence hypothesis holds, no additional savings of households are necessary to restore the eroded value of its government bond. As the hypothesis generally only holds in part, it seems plausible to assume that inflation positively influence savings of households. In addition, a higher rate of inflation creates uncertainty encouraging savings on precautionary grounds (Nwachkwu and Egwaikhide, 2007)

On the other hand, the uncertainty about the return on savings may discourage savings (Modigliani, 1990). An increase in uncertainty raises savings since risk-averse consumers, set resources aside as a precaution against possible adverse changes in income (Skinner, 1988). Carroll, (1991) said that uncertainty helps to explain why consumption is highly correlated with income in the case of young consumers who expect their income to increase in the future but do not know by how much.

In reality, older people save in regards to uncertainty about the length of their life and health cost. According to Carroll and Samwick (1995), precautionary savings may account for a large chunk of household wealth. Loayza, Schmidt-Habbel and Serven (2000) suggest a positive and significant relationship between inflation and private savings rate.

V. Taxation

This has been shown to be one of the most significant determinants of savings. Indeed, only disposable income should be considered, that is income from which taxes have been deducted. The level of tax may affect household savings. Taxes levied on unearned income reduced net interest receipts and thus discourage savings (Arnold, 1993). The higher the tax rate, the smaller will be for the individual consumer to meet consumption expenditure and accordingly, the smaller the chance for savings.

But it should be noted that taxes from private sources represent revenue for the government and if properly used, can contribute to the welfare of the people of the country.

vi. External Debt

Many studies have tried to examine the relationship between national savings and external debt. External debt accumulation has a negative impact on savings (Chete, 1999). Thus, a higher external debt ratio will lead economic agents to anticipate future tax liability for its servicing. This will invariably prompt the transfer of capital to foreign countries, thereby reducing domestic saving (Nwachukwu and Egwailkhide, 2007).

vii. Export

Total export values have shown to correlate positively with savings but the African export are still dominated by primary production in the agricultural and mineral sectors and the market for these product are rather sensitive to the conditions in the international economy (Frimpon-Ansah, 1992).

An increase in export earnings with corresponding increase in earnings of the people will increase savings and hence growth and development.

viii. Financial Development

Until recently, financial development was assumed to enhance the savings rate. It consists of elimination of credit ceilings, interest rate liberalization, easing of entry for foreign financial institutions, enhanced prudential guidelines and supervision, and the development of capital market (Nwachukwu and Egwaikhide, 2007). The effect of financial development can be seen from two perspectives in the short run, the impact is usually negative, and an indirect long run impact is usually positive. This was also the position of Laoyza and Shanker (2000). The effect of financial development on increase in propensity to save depends on the extent of substitution between financial savings and other household assets. Consequently the expected signs of this relationship in the private saving functions are ambiguous (Athukorala and Sen, 2004).

Accordingly, for an effective mobilization of savings, it is vital to understand or capture the core leading determinants of savings in Nigeria.

2.5 Conceptualizing of Economic Empowerment

Economic empowerment is recognized as one means for reducing poverty and economic growth improvement. It is a term that needs clarification because it has different meanings depending on the socio-economic, political and cultural context in which it is presented. It can be perceived as a process or as outcome/goal and can take place at different levels (individual and community) Mayoux (2000). In discussing the relation between empowerment and poverty reduction, it is the expansion of freedom of choice and actions and increasing one's authority and control over the resources and decisions that affects ones' life (World Bank, 2001). Similarly, it is seen as processes through which one gain the ability to take ownership and control of their lives, the key elements here are the expansion of choices and the ability to make strategic life choices (Kabeer, 2001). It should be noted that, the process of empowerment depends on individual involving consciousness raising, participation, and organizing himself. It can also be facilitated through education, capacity building, training and other measures, but change has to happen in the structures and legal frameworks (family laws, property rights, etc) in order to make the self-transformation process of empowerment sustainable (Kabeer, 2001, and World Bank 2001). From the point of view of Mayoux (2000), empowerment is a process of change in power relations that is both multidimensional and interlinked.

Many studies have recognized the importance of economic empowerment in improving the status of impoverished people (Mayoux, 2000; Ashe and Parrott, 2001; Kabeer, 2001; World Bank, 2001; Allen, 2005; Murray and Rosenberg, 2006; Ritchie, 2007; and Mayoux, 2008). There are a number of approaches used to empower people economically, the most prominent is microcredit, but there are debates about the effectiveness of microcredits in lifting the poor out of poverty, including the concern that it traps low income people, but the evidence suggests that it has had a positive effect in many contexts around the world (ILO, 2007). Many arguments on provisions of microfinance services to the very poorest people increasingly focus on savings facilities. The reason is that, savings facilities are essential in increasing the amount of income under the control of people and in building assets. In remote areas, mobilization and intermediation of member savings may be a crucial first steps before accessing external loan funds, because a number of studies have observed that savings-led groups perform better than credit led ones (Ashe and Parrott, 2001; Allen, 2005; Murray and Rosenberg, 2006; Ritchie, 2007; and Mayoux, 2008).

According to Mayoux (2002), access to financial services can lead to economic empowerment by enabling an individual to make decisions about savings and credit use, enabling him or her to invest in an economic activities and assets and have more controlling role in economic activities. This would lead to increase productivity and the income under the person's control and increase his engagement in the market.

In Uganda it was claimed that inability of women to finance their start-up capital prevented them from investing in businesses and trade activities (USAID, 2005). The lack of both start-up and working capital restrict the size, type and location of income generating activity. The success of micro-finance in supporting micro and small business in general and those being operated, particularly in India and Bangladesh is well known. Studies have shown that similar successes have been noted in South Africa and Mauritius (Mayoux 2008). However, there are many challenges that need closer attention if micro-credits are to sustain supporting the reduction of poverty and contribute to growth. Recent study, however, argue that the current lending mechanisms (loan ceiling and other limitations) used by micro-finance institutions are not geared towards the growth of the micro-enterprises. Because micro-entrepreneurs cannot take loans beyond the limited size, they tend to take repeated loans and try to grow "horizontally" by diversifying their businesses and engaging themselves in multiple small-scale businesses (Stevenson, and St-Onge, 2005).

There is also another school of thought that recognizes the limitations of micro-finance institutions from the perspective of empowerment. Mayoux (2004) argues that cost effective ways of integrating micro-finance with other empowerment interventions, including group development and complementary services are still lacking. The term empowerment here means that as people control decisions on savings and credit, they can optimize their well-being and those of their households (Mayoux, 2004).

This approach is believed to be considerably different from the poverty reduction project approach where the emphasis is more to use the loan for increasing income at the household level more for consumption.

2.6 Investment Theories

According to Keynesian and post-Keynesian traditions, investment plays a very critical role as a component of aggregate demand (often the most volatile) as well as a vehicle of creation of productive capacity on the supply side (Andrés and Mario, 2006). They also posit that, Keynesian demand-driven models investment still plays a crucial role in determining medium run growth rates; And that most of these models assume unemployment and idle productive capacities. Other studies postulated growth models with changes in functional income distribution as a mechanism of macroeconomic adjustment acting through national savings in which capitalists have a greater marginal propensity to save than workers. The Austrian school of Von Mises, Hayek and others postulated that the real interest rate (relative to the prospective return on physical assets) is the equilibrating variable between the supply of loans (savings) and the demand of loans for productive (investment) purposes (Andres and Mario, 2006). An investment boom is created when banks or monetary policy keep the interest rate below the natural rate, say the interest rate which equilibrates the demand for loans (investment) with the supply of funds (savings) (Andres and Mario, 2006). The neoclassical economics in the 1950's gave rise to a celebrated long run, supply-driven, growth models such as Solow (1956). In this model, the rate of technical change, the savings ratio and the rate of population growth are the three parameters that determine the rate of Savings, investment and growth in the global age: analytical and policy issues 10 growth of the economy in steady –state;

In this model, the investment ratio plays a role only in the transition between steady –states (in practice that transition may take a few decades) but not in the configuration of the long run growth equilibrium of the economy (Solow, 1956). These transitions are empirically very relevant; in fact, new studies on growth economics are starting to focus more on growth transitions rather than on long run growth (Andres and Mario, 2006). The Solow model does not have independent investment function which is a central concept in the Keynes General Theory. Full wage-price flexibility solves any ex-ante discrepancy between intended savings and desired investment avoiding the sort of macroeconomic fluctuations that were the concern of Keynes and Austrian economists alike (Andres and Mario, 2006). The endogenous growth theory of the mid 1980s, recreated a new role for investment to affect long run growth by making the rate of technical change and productivity growth linked either to the accumulation of physical capital or the accumulation of human capital.

The issue of causality between savings, investment and growth has plagued growth economics since the start. The controversy can be cast in terms of two leading theoretical perspectives: the "Marx–Schumpeter-Keynes view" versus the "Mill-Marshall-Solow view (Chakravarty, 1993; and Solimano, 1997). The first view posits that investment (Keynes, and to some extent, Marx) and innovation (Schumpeter, Marx) are the two variables that drive output growth. In this context, savings adjusts passively to meet the level of investment required to hold macroeconomic equilibrium and deliver a certain growth rate of output. In this view growth leads to savings. In contrast, in the Mill-Marshall-Solow approach that channel of causality is reversed as it assumed that all savings is automatically invested and translated into output growth under wage–price flexibility and full employment. As a result, in the Mill-Marshall-Solow approach savings leads economic growth. The two schools deliver alternative lines of causality between savings, investment, innovation and growth.

Consumption is a function of disposable income, and saving is income not spent, saving is also primarily a function of disposable income.

Savings is a passive residual, determined by disposable income and the marginal propensity to consume (Keynes, 1936). Keynes did not believe it was legitimate to hold income constant when analyzing aggregate saving, as in neoclassical theory. He also disagreed with the neoclassical belief that saving is primarily a function of the rate of interest. Both Keynes and Neoclassical believed that Savings (S) equals to Investment (I) is the macroeconomic equilibrium condition, but in Keynes, I = > S through changes in Income (Y) and in neoclassical S = > I through changes in I (Andres and Mario, 2006). And that, both savings and investment may be equal at a whole range of potential levels of output and income, only one of which is full employment, while in neoclassical the two may be equal only at full employment. They also posits that, Keynes did not believe it was legitimate to hold the state of investor expectations constant in analyzing aggregate investment, as in neoclassical theory. Gutierrez, 2005 posit that, Keynes also disagreed with the neoclassical view that investment is primarily a function of the rate of interest and that expected profitability of investors and lending institutions are required for investment to take place. Keynes distinguished between risk, which is calculable, and uncertainty, which is not conducive to statistical probability (Bruinshoon, 2004). He believed most important determinants of investment are described by uncertainty, not risk. In neoclassical theory, uncertainty in this sense is not recognized, even under risk, the confidence of whether one will beat the odds is subject to unpredictable variation. Business and political climate will influence investment decisions, as will many other factors, not all of which appear immediately relevant, at least on the surface (Gutierrez, 2005).

In a modern capitalist economy with high-tech financial institutions and advanced instruments of credit, saving is not necessary to finance investment, because banks are private, profit-maximizing institutions and will not pass up the chance to make profits if they believe a loan will be profitable (Bruinshood, 2004). They will always make a loan and worry about reserve requirements at the end of the day (often borrowing to meet their requirements). In Keynes, the rate of interest is not determined by Savings and Investment, but by the supply and demand for money. This is Keynes's liquidity preference theory. Separation of ownership and management means those who own do not necessarily know the business well, and those who manage may have different interests and incentives than if they also owned.

2.7 Empirical Studies on Savings and Investments

Savings is the excess of income over expenditure (Keynes, 1936). It is that part of the disposable income of the period which has not passed into consumption (Umoh, 2003; and Uremadu, 2005). Savings if mobilized through the right channel often find investment outlets which in turn translate to growth in the economy and hence economic empowerment. This is achieved through increase in investment, job creation and increase in output. Given that income is equal to the value of current output, and that current investment (i.e. gross capital formation) is equally to the excess of income over consumption (Uremadu, 2005).

In a classical theory, savings and investment are one and the same thing, in that all savings find investment outlet through variation in the rate of interest (Thirlwall, 1983). This equality is further illustrated thus:

Income = Value of output = Consumption investment

Savings =Income – Consumption

Savings = Investment ex-post

Numerous studies have shown that small farmers have the ability to save; this is evident in the number of informal savings institution the farmers use for savings. Other studies showed that traditional institutions possess great potential for utilizing mobilized savings for either agricultural investment or community development (Okori and Miller, 1976, and Miracle *et al.*, 1980). It is evident from these studies that unexpected large amount of savings are involved in a typically rural environment.

Consequently, if these savings are effectively mobilized through the right channels and eventually find investment outlets, it will translate into economic growth and development and hence economic empowerment.

Nwachukwu and Odigie (2009), conducted a study on what drives private savings in Nigeria. The study covers the period 1970 to 2007. The study employs error-correction modeling procedure which minimizes the possibility of estimating spurious relations, while at the same time retaining long-run information. The results of the analysis show that the saving rate rises with both the growth rate of disposable income and the real interest rate on bank deposits. Loayza, Schmidt-Hebbel and Serven (2000) in a study on what drives private savings across the world. They discovered that in developing countries, a doubling of income per capita is estimated to raise long-run private saving by 10 percentage points of disposable income. A direct implication is that development-enhancing policies are an effective means of raising private savings. In another development, Schmidt-Hebbel and Serven (2000) posit that the links between income inequality and saving cause income concentration to have a positive effect on household saving, but a negative effect on corporate and public savings. Nwachukwu and Egwaikhide (2007) used error correction model to ascertain the factors that affect private savings in Nigeria. The outcome of the results revealed that the saving rate rises with the level of disposable income but falls with the rate of growth of disposable income. The real interest rate on bank deposits has a significant negative impact while public saving seems not to crowd out private saving. Furthermore, external terms of trade, inflation rate and external debt service ratio have a positive impact on saving. The result was estimated with an error correction model. In another study conducted by Yusuf, Gafar and Ijaiya,(2009), they used a set of household data, P-alpha-class poverty measure and a multiple regression analysis guided by questionnaire administered to 500 informal sector operators, who are members of Rotating Savings and Credit Associations (ROSCAs) in Offa town. The study found that the informal financial institution plays an important role in reducing poverty and improving the standard of living of the people. This outcome is as a result of the collection of savings and provision of loans to members of the association which they used for investment purposes which in turn improve their living conditions. Thirlwall (2009) agreed with this view when his findings on the mobilization of saving for economic growth and development in developing countries revealed that low level of savings is associated with low standard of living in developing economies.

Benjamin (2009) used a probit and logit model and established the strategies for effective loan delivery to small – scale enterprises with the aim of empowering rural Nigeria. The study concluded that the major factors that determine loan acquisitions by rural entrepreneurs are type of enterprise, gender of operator, experience of the operator as well as past loan history. Edward (1996) applied a panel data (i.e. pooled time series and cross section data) for 36 countries over the period 1970 to 1992. The major conclusions highlighted by the study was that per capita income growth is an important determinant of private and public saving; financial development is important as a determinant of saving; higher government saving crowds out private saving, and higher foreign saving is associated with lower domestic saving.

2.8 Microfinance Banking and Rural Savings Mobilization

Microfinance can be defined as the provision of comprehensive financial services to Micro-entrepreneurs. Micro finance is a relatively new term. Its roots lie in the 1970's when tiny subsidized loans were provided to low income groups with a focus on the agricultural sector (Klans, Hanns and Hoje, 2006). It is constituted by a range of financial services for the poor who are traditionally considered non bankable mainly because they lack the guarantees that can protect financial institutions against a loss risk. The true revolution of microfinance is that, this tool gives a chance to people who were denied the access to the financial market, opens new perspectives and empowers people who can finally carry out their own projects ideas with their own resources and escape assistance, subsides and dependence (Chiara, 2005).

Well functioning microfinance banking systems are vital for the prosperity (economic empowerment) of the people, as well as the long-term growth of local private sectors and vibrant national economies. Interest in micro savings beyond just micro credit has grown just as microfinance practitioners have come to understand that small loans are not always appropriate for the poor (Kabeer, 2001 Rahinan, 1999). After all, a loan becomes a debt and the poor are exposed to crises if an expected source of funds for repayment evaporates (Vonderlack and Schriner, 2001). It is less risky to save than to borrow because savings offers flexibility and while borrowers pay interest, savers earn interest. In addition, the choice to save is voluntary, while debt repayment is mandatory. Both savings and loans have a place, but savings is often a better choice for the poor (Chiara, 2005).

Not all poor people are budding entrepreneurs, for people living in poverty; perhaps it is access to savings account that needs to be the core service on offer (Johnson and Kidder, 1999). This explains the significance of microfinance banking in the rural areas because it:

a. Reinforce domestic resources through savings mobilization,

b. Channels resources to micro and small enterprises often unreachable to banks, so that small, often job-creating investment can be undertaken, and

c. Building industry innovation, bridges to banks and thus develops financial sectors.

If these functions are well performed by the microfinance banks in Nigeria, massive transformation will be experienced in the rural areas and the people will have access to investible funds and hence empowered economically.

There are three key components to financial intermediation – deposit systems, lending systems and capital flow system. In other words, savings, credits and remittances, economic growth and development can only be achieved when these key components are carried out effectively by the financial intermediaries. Savings instruments need to be secured and sustainable, suitable for the demand of the poor. One major challenge is how to make domestic savings work for development. In a survey conducted by

Graham and Leonard (2004), it was discovered that people who have access to formal sector saved three times more than those who save through the semi/informal sector in the 12-months period studied. Although specific numbers for the less developed countries (LDCs) are not available, according to 2003 estimates over 750 million poor and low income people access microfinance worldwide (Littlefield, 2004). From the national perspective, the provision of a secure and accessible savings system will inculcate savings habits and if efficiently intermediated, can spiral economies upward through investment. This will also translate to job creation and economic empowerment. In this regard the role of micro finance banking in savings mobilization and economic empowerment cannot be overemphasized.

However, savings allow people to take advantage of the unexpected investment opportunities. As stored resources, savings are useful for a wide range of purposes. Rural people use the informal savings to smooth consumption, to prepare for emergencies and fund large purchases. The existence of these mechanism show that poor people have the ability to save and work very hard to save most especially women. Informal savings institutions are useful but they should not replace formal institutions. Formal savings institutions offer greater safety, high rate of return and quicker access to funds.

From the foregoing discussions, it is very clear that understanding of the nature of aggregate savings behaviour is critical in designing policies to promote savings, investment and growth (Umoh, 2003). Consequently, for an effective mobilization of savings, it is vital to understand or capture the core leading determinants of savings in Nigeria.

In conclusion, this chapter reviewed relevant literatures on savings, functions of savings institutions, determinants of savings, concept of economic empowerment, theories of investment and microfinance and rural savings mobilization. This was done in order to analyze the impact of rural savings on economic empowerment in Nigeria. Literature showed that, the availability of investible funds is regarded as a necessary starting point of all investment in the economy which will eventually translate to economic growth and development (Uremadu,2006). Savings provide funds for investment and consumption needs. It is also one of the key relevant macro-economic variable for increasing capital accumulation, productivity and reducing the degree of over dependent on foreign nations. In its effort to encourage savings, the federal government of Nigeria introduced a number of programmes over the years.

Literature have shown that savings institutions play very crucial roles in the development of any economy because the move funds from the surplus sector to deficit sector for investment purposes. It also revealed that savings is determined by numerous factors. These include income, growth, interest rate, inflation, macroeconomic uncertainty, taxation, external debt and export. Economic empowerment is seen as processes through which one gain the ability to take ownership and control of their lives, the key elements here are the expansion of choices and the ability to make strategic life choices (Kabeer, 2001). Other studies have shown that microfinance is a very good tool for economic empowerment (Mayoux, 2000, 2002, and 2004; USAID, 2005, Kabeer, 2001; Stevenson and St. Onge, 2005). This is because it gives the poor the opportunity to save and invest in order to have control over their resources and to better their standard of living.

Literature also showed that Keynesian and Post Keynesian tradition, recognized the vital role savings play in creating investments. While the neoclassical in their celebrated long run, supply-driven, growth model recognized the rate of technical charge, the savings ratio and the rate of population growth as the three parameters that determine the rate of savings, investments and growths.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

For the purpose of this study, the descriptive research method was adopted in order to describe and interpret exiting conditions, prevailing practices, beliefs, attributes and on-going processes, with the central purpose of discovering meaning and explanation of a given phenomenon. It is important because it gives a clear picture of a situation or population. This chapter is structured into research design, source of data and information, instruments of data collection and techniques for analysis.

3.2 Research Design

The research design for this study is patterned as discussed below. Three hypotheses were formulated for the study. Hypotheses one and two were tested using secondary data, while hypothesis three relied on primary data. For the purpose of addressing issues that cannot be tackled by using secondary data, primary data was collected through questionnaire administered to respondents in two local government areas each selected at random from the three senatorial zones in Kaduna state. The Local Government Areas selected are Kudan and Makarfi from Northern

Senatorial Zone, Giwa and Igabi from Central Senatorial Zone and Kachia and Kaura from Southern Senatorial Zone.

A total of two hundred and fifty (250) questionnaires were administered out of which, a total two hundred (200) respondents filled and returned. This implies that a total of two hundred (200) respondents were surveyed, at least not less than fifty (50) respondents from each zone. The study was conducted by means of survey, relevant literature on the subject matter was reviewed and information was also gathered from the questionnaire.

3.3 Sources of Data

There are two sources of data for a research undertaking, these are primary and secondary. Both primary and secondary source of data were used for this study

a. Primary Source of Data

Primary data are first – hand information that is obtained from the object under study. In this study, primary data were obtained from the respondents by means of questionnaires, interviews, and personal observations from the selected local government areas. In this study, data was collected through the use of the above mentioned instruments. The data was used in testing hypothesis three of the study.

b. Secondary Source of Data

Secondary data include both raw data and published documents. Most organizations collect and store a variety of data to support their operations, for example payroll details, summary of accounts, reports etc.

In this study, secondary data were obtained from the statistical bulletin of CBN on deposit and loans of rural branches of deposit money banks, weighted average deposit and lending rates of deposit money bank as contained in the appendices. Data was also obtained from CBN bullion, books, journals, seminar papers and other related materials, and all secondary data used was duly acknowledged in the bibliography. The data was used in testing hypotheses one and two of the study.

3.4 Instrument of Data Collection

The degree of reliability of any research findings is to a greater extent determined by both the source and instrument of data collection. In obtaining primary data for the study, the researcher used the following instruments.

a. Questionnaire

The researcher prepared structured questions based on the objectives of the study and administered same to the respondents which they filled and returned. The questionnaire was used as device for obtaining relevant information from the respondents regarding issues that cannot be addressed using secondary data. The questionnaire enabled the researcher to collect data from a large number of people at a minimum cost. See Appendix A for the sample of the questionnaire used in this study.

b. Personal Interview

The researcher had a face to face discussion with some of the respondents who are the main source of the primary data used in the study. The selected areas of the study in each senatorial zone were visited. Although the interview was structured, the interviewees were allowed to express their personal feelings and opinions. The interview was conducted in order to obtain information that could not be reflected in the questionnaire. The method also allowed the researcher to interact face to face with the respondents where they were asked oral questions and their responses were recorded. The interview method was used in obtaining information from those that would not accept to fill the questionnaire or have busy schedules. This also accorded the researcher the opportunity to observe things personally. See Appendix B for the questions that were asked during the interview.

For the purpose of collecting secondary data, the researcher relied on both published and unpublished documents. These include central bank bulletins and bullions, journals, books and other relevant publications which have been duly acknowledged in the bibliography.

3.5 Techniques for Data Analysis

Data could be analyzed using different techniques or methods, what matter is to have understanding of the information presented by the researcher. For the purpose of this study, the following were used for data analysis and hypotheses testing:

a. Chi-Square,

b. Regression Analysis, and

c. Tables and Percentages

a. Chi-Square

The Chi-square was used in testing hypothesis three because it can only be tested using primary data and chi-square is frequently used in hypothesis testing to show whether the observed frequency of a given phenomenon differs significantly from the frequencies which might be expected according to some assumed statement. Therefore, the chi-square is computed as follows:

$$X^2 = \frac{\sum(0\text{-}E)}{E}$$

Where:

X^2 = Greek latter for chi-square

O = Observed frequencies

E = Expected or theoretical frequency

It is somewhat easy to calculate and interprets. The decision rule was: Where the x^2 calculated is greater than the table value we accept the alternative and reject the null hypothesis.

b. Regression analysis

It was used in testing hypotheses one and two because of the secondary nature of the data and information obtained. Regression analysis is concerned with the measurement of the association between two or more variables. It helps in making estimates and prediction about the behaviour of the variables. The econometric technique that was employed to estimate the parameters in the model is the ordinary least square (OLS) regression and the econometric views (e-views 5) package was used to run the regression. The number of observation for the regression was 10 years (1997 to 2006). The time series data offers a chronological ordering of observations that conveys potential important information. The data for the study was obtained from Central Bank of Nigeria statistical bulletin and various issues of annual report and statement of account of central bank of Nigeria.

Model Specification for hypothesis one:

The functional form of the regression equation is given as

$LOANS = F(DEP, INT, RIS)$..1

The stochastic form of the equation is of the form

$LOANS = a_0 + a_1 DEP_t + a_2 INT_t + a_3 RIS_t + u_t$..2

Where

LOANS = loans obtained from the rural branches of deposit money banks

DEP = deposit of rural branches of deposit money banks

INT = interest on loans

RIS = rates of interest on savings

U = error term

a_0 = the intercept of the equation

$a_1 - a_3$ = the slope of the equation

t = time series data

Model Specification for hypothesis two:

The functional form of the regression equation of hypothesis three is given as:

$$SAV = F(Y, IR, INF) \ldots\ldots 3$$

The stochastic relationship of equation three is of the form

$$SAV = b_0 + b_1 Y_t + b_2 IR + b_3 INF_t + U_t \ldots\ldots 4$$

Where

Y = income

IR = interest rate

INF = inflation rate

U = error term

t = time series data

c. Tables and Percentages

Tables are graphical display of summarized data to simplify presentation of data and clarify the understanding of the results there in. In this study tables were used in order to simplify the presentation of the data and also help in clarifying the understanding of the results of the study.

Percentage is a proportion reckoned on each hundred, percentages make comparisons of data easier because it reduces data to a common denominator for easy comparison of result obtained in the course of the research work. It is a statistical technique used to analyze data with the aim of reducing the size of statistical data and to render them easily intelligible. This is calculated using the following formula percentage (%) =

Number of respondent x 100

Total sample size 1

Percentages were used in data analysis because it enables the study to compare the results obtained.

3.6 Summary

In this study, data have been collected from both primary and secondary sources and are made up of both quantitative and qualitative type. This chapter therefore, focused on the research method, research design, and sources of data, instruments of data collection and techniques for data analysis. Tables and simple percentages were used for data presentation, while chi square and regression analysis were used to test the hypotheses for the study. The regression result was obtained through the application of Statistical Package for Social Sciences (SPSS)

CHAPTER FOUR
DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

Data obtained for the study are presented, analyzed and interpreted in this chapter. Simple tables and percentages were used for data presentation and analysis. The hypotheses were tested using the Chi-square and the Regression analysis. The data for the study were collected by means of questionnaire and interviews. Statistical data were collected from related publications. The data enabled the researchers to make useful references on the impact of rural savings on economic empowerment in Nigeria. It focused on the impact of rural savings institutions on economic empowerment in Nigeria, level of savings in rural areas and the attitude of rural people towards savings institution

4.2 Impact of Rural Savings Institutions on Economic Empowerment in Nigeria

The low level of formal savings deposits in any economy means that banks have limited funds to lend out and this is also one of the reasons why they charge high interest. This in turn discourages many from accessing these loans. But, if the largest possible savings are generated and funds are lent out for meaningful investments and are effectively utilized, many jobs could be created. This implies additional sources of income for the people and thus improvement in economic well-being and growth and development.

Table 4.1: Deposits and Loans of Rural Branches Deposit Money Banks (₦–Million)

YEAR	DEPOSITS	LOANS INT.	LOANS	SAVINGS INT.
1997	19,047.6	23.32	11158.6	4.8
1998	18,513.8	21.34	11852.7	5.49
1999	15,860.5	27.19	7498.1	5.33
2000	20,640.9	21.55	11150.3	5.29
2001	16,875.9	21.34	12341	5.49
2002	14,861.6	29.7	8942.2	5.08
2003	20551.8	22.47	11251.9	4.15
2004	64490	20.62	34118.5	4.44
2005	64439.1	19.47	78639.7	3.75
2006	163103.4	18.43	90549.6	3.05

Source: Generated by the author from Statistical Bulletin of Central Bank of Nigeria, Vol.17, December, 2006

Table 4.1 shows the deposits and loans of rural branches of deposit money banks between 1997 and 2006. It also shows rate of interest on deposits and savings. Total deposits stood at N19,047.6 (m) in1997, N18,513.8 (m) and N15,860.5(m) in 1998 and 1999 respectively. It was N20,640.9 (m) in 2000 and decreased to N16,875.9(m) in 2001, N14,861.6(m) in 2002, it increased to N20,551.8(m) in 2003 and down to

N64,490(m) and N64,439.1 in 2004 and 2005. It was N16,3103.4 in 2006, this shows a significant increase.

The total loans for the periods were N11,158.6(m) in 1997, N11,852.7(m) in 1998 and N7,498.1(m) in 1999. It was N11,150.3(m) in 2000, N12,341.0(m) in 2001, down to N8,942.2(m) in 2002 and up to N11,251(m) in 2003, N34,118.5(m), N78,639.7(m), and N90,549.6(m) in 2004, 2005 and 2006 respectively. From the table it is visible that interests on savings are low while that of loans are higher for all the years under observation.

If the savings Institutions improve on their savings collection capacity, the level of savings will rise and if same find investment outlets and effectively and efficiently utilized, it will reflect in the economic growth and development and hence economic empowerment of the people. For there to be effectiveness and efficiency in mobilizing the largest possible rural savings; there must be institutions that can effectively and efficiently collect these savings and ensure that they find investment outlets. Their presence would go a long way in ensuring that more savings are mobilized for economic empowerment.

In line with the above, the first hypothesis was tested using regression analysis. The first hypothesis is:

H_{O1}: Rural savings Institutions have no significant impact on economic empowerment in Nigeria.

H_{A1}: Rural savings Institutions have significant impact on economic empowerment in Nigeria.

To test the above hypothesis, we assumed that savings mobilized by the savings institutions are given as loans to the people; who in turn used these funds for investments purposes there by creating jobs and incomes for themselves and the community and improving their economic wellbeing. If this is achieved, there will be increase in investments, job creation, income, and hence economic empowerment. As the people are empowered economically, level of savings would also increase. This also means increase in investible funds and investments, economic growth and development. In essence we assumed that a substantial part of the mobilized savings is lent out for productive investments that reflected in the economic wellbeing of the people positively.

In testing hypothesis one, we used data on deposits, loans and interest rates on deposits and loans from CBN statistical bulletin (2006) and obtained an estimated result through the application of OLS regression technique (see Appendices C D and H).

Discussion of the Regression result and test of hypothesis one:

The estimated results are presented below:

$$LOANS = 106977.9 + 0.34DEP - 1294.76INT - 13675.07RIS \qquad \text{4.1}$$
$$(2.70) \quad (-4.78) \quad (-3.29)$$

$R^{-2} = 0.80$

Durbin Watson test 2.30

t = table value = 1.94

The estimated results above showed an impressive outcome. This is because the coefficient of determination (R^{-2}) which was found to be 0.80 indicates that the independent variable have 80% influence on the variation in the dependent variable. In other wards R^{-2} showed that the independent variables in the model have 80 percent explanatory power of the variation in the dependent variable. The remaining 20 per cent is captured by the error term (u) in the model. This outcome is a representation of a good statistical fit. The result also showed that there is no evidence of any serious serial correlation since the Durbin Watson statistical test is 2.26. From the estimated result, deposits mobilized by the rural branches of deposit money banks (DEP) in Nigeria showed a positive coefficient (0.34). This simply suggest that a 100 percent increase in deposits mobilize by the rural branches of money deposit banks will result in 34 per cent increase in the provision of loans to members of the rural community for investment purposes, and hence economic empowerment of the rural people. Put differently, a 100 percent increase in deposits mobilized by the rural money deposit banks will have a 34 percent direct impact on the ability of the rural financial money deposit banks to give loans to members of the society. This result was expected in this study since it obvious that an increase in the ability of the rural banks to mobilized savings will increase the quantity of loans given to the members of the rural community for investment purposes. However, the estimated coefficient value of 0.34 for DEP is very low. This concludes that the positive impact of DEP on loans is a sluggish one. The estimated result also showed that the rates of interest on savings (RIS) to members of the public that deposited money with money deposit banks have an indirect influence on loans provision. The estimated coefficient value of RIS (-13675.07) suggests that a 1 percent increase in the rates of interest on savings to the members of the society will lead to -13675.07 decrease in loans provision. This result was not expected in this study. This is due to the fact when interest rates on savings is high, more savings will be mobilized by the banks and this will increase the financial ability of the money deposits banks to provide loans for investment and hence economic empowerment of the rural members.

The result in the above equation was used to test the first hypothesis of the study. The decision rule guiding the test of hypothesis is that where there is no significant difference between the t calculated value and the t table value we accept the null hypothesis. In other words, if the t calculated value is less than the t table value, we accept the null hypothesis and reject the alternative. On the contrary, where there is a significant difference between the t calculated value and t table value we accept the alternative hypothesis and reject the null hypothesis. Put in other words, where the t calculated value is greater than the t table value we accept the alternative hypothesis and reject the null hypothesis. Given the estimated regression result above, the t calculated value of the respective variables were compared with the t table value. The estimated result showed that the t table value was 1.94 at 5 per cent level of confidence. This table value compared with the values in parenthesis for test of significance result indicated that all the values in the parenthesis were greater than the t table. The t calculated value of DEP was 2.70, that of INT and RIS were found to be -4.78 and -3.29 respectively. This study shows that the result is statistically significant at 5 per cent level. Since the t calculated values were found to be greater than the t table value, we accept the alternative hypothesis (H_{A2}). The acceptance of the alternative hypothesis (H_{A2}) is the rejection of the null hypothesis (H_o).

Decision (inference): This therefore, implies that, Rural savings Institutions have significant impact on economic empowerment in Nigeria. This is because they mobilize savings and extend loans facilities for starting business start up and expansion which in turn improve the standard of living of the people. This result agreed with the findings of Yusuf, Gafar and Ijaiya, 2009 and Nnanna *et al*, 2004.

Although, the t calculated value is greater than the t table value, savings Institutions especially commercial and microfinance banks must intensify efforts in order to mobilize the largest possible savings for economic empowerment of the people. This could only be achieved if these savings find productive investments outlets through loans to the people. And loans if properly and efficiently utilized would translate into economic empowerment through increase in investment, which will create more jobs and sources of income for the people and thus empower them economically. This also will increase level of savings, investible funds, investments and economic growth and development. Here, savings institutions must ensure the mobilized savings find investments outlets through loans for financing productive investments.

4.3 Level of Savings in Rural Areas

The level of savings in any economy will go a long way in determining the availability of funding for economic activities. Adequate funding will boast economic activities through increase in investments, jobs, incomes and better standards of living. Studies have shown that countries with high level of savings tend to experience high level of investment, economic growth and lower inflation rate. This fact alone, has justified the need to assess the level of savings in the rural areas in order to ascertain whether they high or low. In this study the level of savings is determined by per capita income which is ratio of real gross domestic product to population, interest rate and inflation rate. The raw data of these variables is presented in table 4.2 below:

Table 4.2: time series data for test on rural savings (SAV), per capita income (Y), interest on saving (IR) and inflation (INF) from 1997 – 2006.

Year	SAV	Y	IR	INF
1997	19047.6	2464.08	4.8	8.5
1998	18513.8	2475.83	5.49	10
1999	15860.5	2453.89	5.33	6.6
2000	20640.9	2545.66	5.29	6.9
2001	16875.9	2720.58	5.49	18.9
2002	14861.6	3240.12	5.08	12.9
2003	20551.8	3490.23	4.15	14
2004	64490	3847.83	4.44	15
2005	64439.1	4065.78	3.75	17.9
2006	163103.4	4255.78	3.1	8.21

Source: Generated by the author from Statistical Bulletin of Central Bank of Nigeria, Vol.17, December, 2006

Discussion of the regression result and test of hypothesis two:

$$SAV = 4852.25 + 41.297Y - 18.32IR - 37.32INF \qquad 4.2$$

$$(3.11) \quad (-2.60) \quad (-1.39)$$

$$R^2 = 0.78, \qquad R^{-2} = 0.67. \qquad DW = 1.99$$

The result of the equation 4.2 above was very remarkable. The estimated result showed a good fit. This is due to the high value of the adjusted coefficient of determination (R^{-2}). The R^{-2} value of 0.67 indicates that the independent variables in the model explain about 67% of the variability in the dependent variable. Also the Durbin Watson (DW) statistic test indicates the absent of serial correlation. The value of DW which is 1.99 tends towards 2 and this is a good statistical outcome. From the estimated result in equation 4.2, income is a positive determinant of savings in the rural areas whereas inflation and interest rate negatively influence the level of savings in the rural areas. The coefficient of per capita income is 41.30. This indicates that a one per cent increase in per capita income will increase rural savings by the positive coefficient (41.30). This outcome was expected for this study. This is because as the per capita income of the rural populace increases all things being the level of rural savings will increase. This is in agreement with findings of Nwachukwu and Egwaikhide, 2007; Nwachukwu and Odigie, 2009 and Loayze, Schmidt-Habbel and Serven, 2000. The result also showed that interest rate and inflation rate are negatively signed. This simply suggests that inflation and interest rate have a declining effect on rural savings level. A one per cent decrease in interest rate will result in -18.32 per cent fall in the level of rural savings. This result was expected for this study. This is due to the fact a fall in interest on savings will discourage people from saving. Similarly, the coefficient of inflation showed a negative sign (-37.32). This result suggests that a one per cent increase in inflation will decrease savings level by -37.32 per cent. Increase in inflation will reduce the purchasing power of the individuals and this will reduce the available income for saving. This agrees with the findings of Uremadu 2006 and differs from that of Smith, 1990. The findings of Nwachukwu and Egwaikhide suggested that high rate of inflation encourages savings on precautionary ground. In order to test hypothesis two, the t calculated and the t- table value were compared. The result showed that the t calculated value of per capita income, interest rate and inflation were 3.11, - 2.60 and -1.39 respectively, while the t- table value is 1.94. This study shows that the result is statistically significant at 5 per cent level. Since the t calculated values were found to be greater than the t table value, we accept the alternative hypothesis (H_{A2}). The acceptance of the alternative hypothesis (H_{A2}) is the rejection of the null hypothesis (H_o). This implies that, the level of rural savings in Nigeria is significant. On the other, the t calculated value of inflation was found to be lower than the t- table value and showed that inflation was statistically insignificant at 5 per cent level. This does not agree with the findings of Efam, 2008 and Nnanna *et al*, 2004.

4.4 Attitude of Rural People towards Savings Institutions

According to the statistical bulletin of the Central Bank of Nigeria Vol. 17, December, 2006, there were 675 branches of deposits money banks in Nigeria in 1997, 714 in 1998 and 1999 and 722 in 2000 to 2004(see Appendix E).The number of branches of money deposit banks in each state in Nigeria as at 2007 are listed in Appendix F. There are 20 Microfinance Banks (formerly known as Community Banks) in Kaduna State (see Appendix G). On a visit to the selected areas for primary data collection, the researcher found a total of ten (10) Banks in the selected Local Government Areas during the study period. These banks are presented in table 4.2 below:

Table 4.3 Banks in the selected Local Governments Areas in Kaduna State (1997 to 2006)

Local Government Area	Number of Banks	Type
Makarfi	2	1 Commercial and 1 Microfinance Bank
Kudan	1	Microfinance Bank
Giwa	1	Microfinance Bank
Kachia	2	1 Commercial and 1 Agric Bank
Kaura	2	Microfinance Banks
Igabi	2	Commercial Banks
Total	10	

Source: Researcher's Field Work, October, 2008

Table 4.3 above is based on the researchers' observation and interview which could be subject to verification. The table revealed that there are 2 banks in Makarfi LGA during the study period (1997 – 2006) one (1) commercial and one (1) Microfinance (Community) Bank. Kudan and Giwa had one (1) Microfinnace Bank each. Kachia one (1) commercial Bank and one (1) Agric. Bank. Kaura had two (2) Microfinance Banks, while Igabi had 2 commercial Banks. The banks in Igabi are all located in Jaji military cantonment. The study also found out that there was a community bank in Igabi and one other bank which were no more.

Apart from the formal savings institutions (Banks), there are quite a number of informal savings institutions operating in the study areas during the study period. Almost all the banks are located in semi-urban areas in the study areas. This leaves majority of the people in the rural areas without access to formal banking services. This could be said to be a big minus to savings mobilization in the rural areas there by affecting the attitudes of rural people towards savings Institutions. To further address this issue, the third hypothesis was formulated as stated below:

Ho_3: Rural people have negative attitude towards Savings Institutions.

Ha_3: Rural people have positive attitude towards Savings Institutions.

In order to assess the attitude of rural people towards savings institutions; it was assumed that, attitude towards savings institution is related directly with the people's dealings with the savings institutions. Table 4.3 below represented the different categories of the rural people's dealings with the savings institutions found in their localities. In addition, the same table was used in testing hypothesis three of the study.

Table 4.4 Responses to questions 9 to 12

Questions	Responses				Total	
	Yes		No			
	Freq	%	Freq	%	Freq	%
Q9) Do you save with any savings institution?	180	90	20	10	200	100
Q10) Do you agree that savings are important sources of capital to fund investments and growth in the in the economy?	170	85	30	15	200	100
Q11) Do you agree that savings if invested will translate to economic growth through increase in investments, job creation, increase in income and hence economic empowerment?	189	94.5	11	5.5	200	100
Q12) Have ever borrowed from any financial institution for investments to empower yourself economically?	190	95	10	5	200	100

Source: Questionnaire administered, October, 2008 (see Appendix A)

In responding to questions 9 to 12, table 4.4 shows that 180 out of the 200 respondents saved with savings institutions while 20 do not. 85 percent of the respondents agreed that savings are important source of capital to fund investments and growth in the economy. In the same vein, 189 out of the 200 respondents supported the fact that savings if invested will translate to economic growth through increase in investments, job creation, increase in income and hence economic empowerment. Most of them confirmed that they have used their saved funds to start or expand their businesses and now enjoying the benefits through increased in income and better living standards. Similarly, 95 percent of the respondents have borrowed funds from financial institution for investments that have boasted their businesses and empowered them economically.

To test the above hypothesis, Chi-square was used and the decision rule is that null hypothesis (H_o) is accepted if the computed value is less than the critical value of the tabulated value x^2 otherwise it would be rejected:

$$\text{Chi-square } (x^2) = \Sigma \frac{(fo - fe)^2}{fe}$$

Where: x^2 = the value of the Chi-square

fo = Observed frequency

fe = Theoretical or expected frequency

Σ = Summation or total number of cell.

It should be noted that the 95% confidence interval or level of significance shall be the guiding factor in this study. To find the expected frequency (fe) the following formula is used.

$$Fe = \frac{\text{Row Total x Column Total}}{\text{Grand Total}}$$

Table 4.5 Observed and Expected Frequency Table

Questions	Observed		Expected		Total
	Yes	No	Yes	No	
Q.9	180	20	182.25	17.75	200
Q.10	170	30	182.25	17.75	200
Q.11	189	11	182.25	17.75	200
Q.12	190	10	182.25	17.75	200
	729	71	729	71	800

Source: Computed from table 4.4 based on questions 9 to 12

(See Appendix A)

Note: Expected Observation $= \frac{CT \times RT}{GR}$

Where: CT = Column Total

RT = Row Total

GR = Grand Total

For: Yes $= \frac{729 \times 200}{800} = 182.25$

No $= \frac{71 \times 200}{800} = 17.75$

Table 4.6 x^2 Computation Table

Fo	Fe	Fo – fe	$(Fo - Fe)^2$	$(Fo - Fe)^2/Fe$
180	182.25	– 2.25	5.06	0.03
20	17.75	2.25	5.o6	0.29
170	182.25	– 12.25	150.06	0.82
30	17.75	12.25	150.06	8.45
189	182.25	6.75	45.56	0.25
11	17.75	– 6.75	45.06	2.57
190	182.25	7.75	60.63	0.33
10	17.75	– 7.75	60.63	3.42
				X^2 = 16.16

Source: Computed from table 4.5

To determine the degree of freedom (df) and the table value of chi-square distribution.

Df = n – 1

Where n = number of questions being compared in this case

Df = 4 – 1 = 3

X^2 = P. 0.05 df 3 = 7.815 (table value)

Decision (Inference): From the above calculation, the calculated x^2 value (16.16) is greater than the table x^2 value (7.815) which means Ho, is rejected while H_A, (alternate hypothesis) is accepted. This implies that rural people have positive attitude towards savings Institutions.

Most studies have confirmed the dominant role of income as a determinant of savings albeit with variations in the concept of income which is used. The study found out that the respondents earned income from different sources. Difficulties were encountered in getting accurate information on the total income earned because some of the respondents did not keep proper record of their earnings. More so, some were reluctant in disclosing such information. But about 73 percent of the respondents revealed that they have earned above N100, 000 in the preceding 12 months from various economic activities.

Due to difficulties in deriving quantitative information on individual savings and borrowing of the respondents; the study concentrated on ascertaining the forms in which savings are kept, forms of savings institutions in the study areas, the attitudes of people towards these savings institutions; the preferred means of savings, the uses to which savings were put to and the role of savings toward economic empowerment. Performance of savings institutions was assessed, the problems of savings mobilization were reviewed and possible recommendations were given on how to mobilize the largest possible rural savings for economic empowerment. In

4.3 Summary of Findings

The study assessed the impact of rural savings on economic empowerment in Nigeria. The hypotheses in chapter one item 1.4 were tested.

In testing hypothesis one, data on deposits, loans and interest rates on deposits and loans from the CBN statistical bulletin was used to obtain an estimated result through the application OSL regression technique (see appendices C, D and H). The regression analysis result showed that the t table value was 1.94 at 5 per cent level of confidence while the calculated value of DEP was 2.70, while INT and RIS were -4.78 and -3.29 respectively. The t table value compared with the value in the parenthesis for test of significance result indicated that all the values in the parenthesis were greater than the t table value. This therefore, led to the conclusion that, rural savings institutions have significant impact on economic empowerment in Nigeria

Also in testing hypothesis two a time series data on savings of rural branches of deposit money banks, per capita income, interest rate and inflation from 1997 to 2006 was used to obtain an estimated result through the application OSL regression technique (see table 4.2 and appendix I). The regression analysis result showed that the t table value was 1.94 at 5 per cent level of confidence while the calculated value of Y was 3.11, while IR and INF were -2.60 and -1.39 respectively. The t table value compared with the value in the parenthesis for test of significance result indicated that all the values in the parenthesis were greater than the t table value. This therefore, led to the conclusion that, the level of rural savings in significant.

Finally, in testing hypothesis three, the respondents were asked questions 9 to 12 in the questionnaire (see Appendix A). Their responses were presented in table 4.4 which is computed based on table 4.3. This shows the observed and the expected frequency table of their responses. The chi-square x^2 is computed in table 4.5.The result of the chi-square calculated was $x^2 = 16.16$ as against the table value of $x^2 = 7.815$ at 95 percent confidence level. This therefore, implied that, rural people have positive attitude towards savings Institutions.

The study further showed that there are both formal and informal Institutions in the rural areas. And the people saved through these savings Institutions as evident by data on deposits and loans of rural branches of deposit money banks obtain from the CBN. And also data from obtained the questionnaire and the literature.

In addition, banks staff and the respondents agreed that, rural savings mobilization has impact on economic empowerment. And that savings

Institution have impact on economic empowerment also through effective and efficient mobilization of savings for funding economic activities. By funding economic activities, they help create investments, jobs, increase income, better standard of living, growth and economic empowerment. On the performance of banks they opined that a lot needs to be done in order to attract more customers and to mobilize the largest possible savings.

This study also revealed that lack of awareness of banking services; wrong perception of banks by the people; attitudes of banks toward their customers; bank charges, procedures for opening bank accounts are some of the militating factors against savings mobilization. They recommended that, people must be sensitized on the activities of banks and the benefits of saving with them; they opined that this will help increase savings in the economy.

Households have notable savings; the problem is that most of these are held in non financial form. This means that they are not channel into productive investment. Physical distance from banking Institutions and high minimum deposits and balance requirement discouraged many from opening bank accounts. Costs of maintaining accounts are too high while interest rates are insignificant and not encouraging savings ; interest on loans are also too high thereby discouraging people from collecting loans that could be used investments . Documentation when opening accounts are some of the factors affecting savings mobilization. Physical distance from these banks is another major problem in savings mobilization. Therefore, effort must be intensify so as to mobilized these untapped savings and channel same into investments.

CHAPTER FIVE
SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Summary

If most people in Nigeria would have access to formal financial services and understood the benefits of using them; many more people would be encouraged to save. This will go a long way in boasting the level of savings in the economy and Nigeria would to some extent be in position to meet its developmental resources needs. And if this savings find investment outlets through loans to the people, productive investments would increase, job creation would increase as well as income of the people. The multiplier effect of these increases is increase in production and consumption of goods and services in the economy and improvement in economic wellbeing of the people as well as increase in the level of savings.

This study assessed the impact of rural savings on economic empowerment in Nigeria. It also assessed the impact of savings institution on economic empowerment, level of rural savings in Nigeria, and the attitudes of rural people towards savings Institutions in relation to their efforts in savings mobilization; to see how effective they are in savings mobilizing savings in the rural areas and finally gave recommendations on how to mobilize the largest possible rural savings for economic empowerment.

The literatures showed that overtime savings have dropped significantly with major attention diverted to other economic factors. Rural populace in Nigeria is a very important source of generating meaningful investment savings. As such, the study of rural savings is very important because savings is also a key to development and economic empowerment of the people. Investment which is the key to economic empowerment equally depends on the availability of investible savings. That is, both investment and economic empowerment equally depend on investible savings. Savings provides independence to the people and allows them to plan for the future, as well as invest for enhanced production and growth. Savings play two important roles in the lives of the savers – serve as security to the servers if things go wrong and comfort in old age, independence and opportunity through their lives. They are also an important source of investment capital and growth in the economy.

Financial Institutions play crucial roles in saving mobilization because they serve as financial intermediaries that raise funds mainly through savings and use these savings to provide loans principally for investments. This intermediation involves moving funds from the surplus sector of the economy to the deficit sector. Many studies have confirmed the importance of savings in economic growth and development and the crucial role these savings Institutions play in savings mobilization. These savings Institutions are classified into two – the formal which are legally registered Institutions established to carry out financial intermediation in Nigeria under a regulated monetary or financial market authority. In this study we refer to commercial and microfinance banks. The informal institutions which are unorganized, non-institutional, and local markets carrying out financial services outside the financial market authority. Here we refer to Door to Door Thrift, Rotating and Credit Association (ROSCAS) and Savings and Credit Co-operative (SCCs), or societies.

Numerous factors determined savings notably households savings. However, it has been observed that the ranges of determinants that are significant in Africa are rather limited. In general, factors that determine savings are: income, growth, interest rate, inflation, macro economic uncertainty, taxation, external debt, export, financial development etc. This study also revealed that savings and investments are one and the same thing. In that all savings find investment outlets through variation in the rate of interest. If this is true and these savings are effectively mobilized through the right channels and they eventually find investment outlets, it will translate into economic growth and development and hence economic empowerment.

Savings and investment are said to have a direct relationship, the higher the savings, the higher the investments.

Microfinance banks are very crucial in rural savings mobilization. They provide a wide range of financial services for people who are traditionally considered non-bankable just simply because they lack the guarantees that can protect financial Institutions against a loss risk. These banks also give a chance to people who are denied the access to financial markets, opens new perspectives and empowers people who can finally carry out their own projects and ideas with their own resources and escape assistance, subsidies and dependence. Many studies have shown that microfinance banking systems are vital for the prosperity (economic empowerment) of the people as well as the long-term growth of local private sectors and vibrant national economies. Microfinance banking performs three functions. Firstly, it reinforces domestic resources through savings mobilization, secondly, channels resources to micro-finance and small enterprises often unreachable to banks, so that small, often job –creating investment can be undertaken. And lastly, builds industry innovations, bridges to banks and thus develops financial sectors. These three basic functions would lead to massive economic transformation in the rural areas as the people have access to investible funds and hence empowered economically.

The descriptive research method was adopted for this study. Primary data were collected by means of questionnaire, interview, personal observation. On the other hand, secondary data were collected from CBN statistical bulletins and bullion and the review of related publication. This study focused on Nigeria, and covers a period of ten (10) years, from 1997 to 2006. In order to address issues that cannot be tackled by the use of secondary data, primary data were collected from two local government areas each from the three senatorial zones of Kaduna State. The chi-square and regression analysis were used for testing the hypotheses, while percentages and simple tables were used for data analysis.

The study further revealed that lack of awareness of banking services, wrong perception of banks by the people, physical distance from the banks, bank charges and procedures for opening accounts are some of the problems of rural savings mobilization. Therefore banks need to do a lot more to improve savings mobilization in the rural areas so as to mobilize the largest possible savings for economic empowerment.

5.2 Conclusion:

The findings of the study revealed that notable savings do exists in the rural areas. It was evident in the study areas that the people have some form of savings too. It also revealed that the people save both through formal and informal savings institutions. Most of the banks are located in areas that could be said to be urban or semi-urban areas denying people access to banking services. On the impact of savings on economic empowerment, both the respondents and the banks staff interviewed agreed that, rural savings has impact on economic empowerment. Many literatures have supported that too. The result of hypotheses tested also suggested that rural savings has impact on economic and that savings institutions have significant impact on economic empowerment through savings collection and extending loans to the people for investment purposes. The level of savings in the rural areas is significant and the attitude of the rural towards savings institutions is positive.

Central to accelerating economic growth and hence economic empowerment is mobilizing the largest possible saving and ensuring that they are channeled into productive investments. The study shows that most of the banks are sited in semi-urban areas during the study period. This fact alone could be said to have affected the quantum of savings that would have been mobilized. This is one of the reasons why rural people keep most of their incomes in tangible assets or other informal sectors. Most of these savings with the informal sector hardly find investment outlets as most are for short term or use for consumption. Although, informal savings Institutions encourage and promote small and regular savings, they lack the capacity to generate high savings and channel same into productive investment as compared with the formal institutions. Literatures also revealed that people who have access to formal savings Institutions save as much as three times more than those who save only through the informal.

Not all the people favoured the informal savings Institutions because they lack the capacity to secure and safeguard the savings mobilized. Their operators also lack leadership and managerial skills required for providing financial services. At this juncture, it would not be appropriate to conclude that informal institutions can serve as substitute for the formal Institutions in savings mobilization.

Savings is the key to economic growth and development, in that savings if mobilized through the right channels and are invested efficiently would help create more jobs and income for the people and hence empower them economically. This can only be achieved when there are institutions that can efficiently and effectively mobilized these savings and channel same into productive investments. Thus, savings has impact on economic empowerment; those saddled with the responsibility of mobilizing savings must make every effort to mobilize the largest possible savings for economic empowerment. Lastly economic growth and development cannot be achieved without putting in place well-focused programmes to reduce poverty through empowering the rural community.

5.3 Limitation of the study

This study like most studies in the developing countries has its own limitations. The prominent limitation was that, difficulty was encountered in obtaining relevant information for the study.

5.4 Recommendations

In the light of the issues raised in the study; the following recommendations are made on to mobilize more savings for economic empowerment in Nigeria.

(a) There should be financial intermediaries to collect savings and ensure that these savings find investments outlets which will then translate to economic growth development and hence economic empowerment; so as to give more people access to financial services, open new perspectives and empowers people and enable them to finally carry out their own projects and ideas with their own resources and escape assistance, subsidies and dependence. Banking systems are vital for the prosperity of the people.

(b) New products should be introduced by banks with a view of attracting customers so as to mobilize the largest possible savings.

(c) Relevant authorities should ensure that saved funds have access to investments outlets. This is the only way that the economy can experience meaningful growth and economic empowerment.

(d) Education Programmes in school should incorporate some elements of awareness on the importance to savings to the economy and the benefits of savings to the savers.

(e) Banks should liaise with the operators of the informal savings institutions by giving them incentives that would encourage them to deposit their mobilized funds with the banks. By so doing, most of these funds would find investment outlets and be translated into economic empowerment.

(f) Government should formulate policies that would encourage competition within commercial banking, especially the kind that would increase savings mobilization.

(g) Finally, banks should put in place efficient mechanism that would improve their performances in order to attract more people to save.

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APPENDIX A

QUESTIONNAIRE ADMINISTERED TO FAMERS, TRADERS AND CIVIL SERVANTS IN SIX LOCAL GOVERNMENT AREAS IN KADUNA STATE

I am a postgraduate student of the Department of Accounting Ahmadu Bello University, Zaria. This questionnaire is meant to source for information that will be useful for a successful research work on " Impact of Rural savings on Economic Empowerment in Nigeria.

This study is strictly and academic exercise in partial fulfillment of the requirement for the award of Masters of Science (M.Sc) Degree in Accounting and Finance. All information supplied will be treated confidentially.

Please in answering the questions, tick (√) as applicable and give brief answer were required

SECTION A

1. Sex: a. Male [ ] b. female [ ]
2. Local Government Area --
3. What is your main occupation? --
4. Other Occupations ---

5. Educational qualifications:

   a. Primary education [ ]

   b. Secondary Education [ ]

   c. Higher Education [ ]

6. Do you have formal savings institutions such as banks in your community? a. Yes [ ] b. No [ ]

7. Are there Informal Savings Institutions such as Rotating and Credit Associations (Adashi in Hausa), Door to Door thrift etc in your community?

   a. Yes [ ] b. No [ ]

8. Are you a member of any of these Informal savings Institutions?

   a. Yes [ ] b. No [ ]

9. Do you save with any savings institution?

   a. Yes [ ] b. No [ ]

10. Do you agree that savings are important sources of capital to fund investment and growth in the in the economy?

    a. Yes [ ] b. No [ ]

11 Do you agree that savings if invested will translate to economic growth through increase in investments, job creation, increase in income and hence economic empowerment?

a. Yes [ ] b. No [ ]

12. Have you ever borrowed from any financial institution for investments to empower yourself economically?

a. Yes [ ] b. No [ ]

13. What is your preferred means of saving?

a. Formal – Commercial and Microfinance Banks [ ]

b. Informal – Rotating Savings and Credit Association (Adashi) Door to Door thrift and Cooperative Societies [ ]

14. What are the reasons for your choice in 13 above? ----------------------

----

15. What do you use your savings for? ---------------------------------------

16. Have you ever borrowed from banks and other sources? ---------------

----

17. What do you used the borrowed funds for? ------------------------------

----

18. How would you describe the effort of banks and other savings institutions towards rural savings mobilization for economic empowerment in your community?

a. Very Good [ ]

b. Good [ ]

c. Fairly Good [ ]

d. Poor [ ]

Thanks.

Joshua Samuel Gambo.

APPENDIX B

Interview (Bank Staff Only)

1. What is the name of your bank?
2. Where is it located?
3. What year is it opened?
4. What are the types of services your bank rendered to its customers?
5. What is the average number of your banks' customers?
6. What is the composition of your customer and what category is the majority?
7. Do you agree that rural savings mobilization has impact on economic empowerment?
8. Do you agree that savings institutions play crucial roles in savings mobilization and economic empowerment?
9. In your own opinion how will you rate the performance of banks in rural savings mobilization for economic empowerment?
10. What are the problems of savings mobilization in the rural areas, and what are the possible solutions?

Table A.2.8
Deposits and Loans of Rural Branches of Deposit Money Banks
(=N= Million)

Year/Quarter	Deposits	Loans	Ratio 1/
1982	111.7	35.9	32.1
1983	131.2	44.2	33.7
1984	[illegible]	58.2	21.0
1985	311.4	114.9	36.9
1986	[illegible]	[illegible]	[illegible]
1987	[illegible]	[illegible]	40.1
1988	[illegible]	[illegible]	47.9
1989	5,722.0	3,721.1	65.0
1990	8,260.1	4,730.8	[illegible]
1991	10,580.7	[illegible]	56.3
1992	[illegible]	[illegible]	41.1
1993	[illegible]	10,910.4	55.8
1994	4,855.2	1,602.2	33.0
1995	8,807.1	8,659.3	98.3
1996	12,442.0	4,411.2	35.5
1997	15,042.6	[illegible]	58.6
1998	[illegible]	[illegible]	64.0
1999	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]
2001	[illegible]	[illegible]	[illegible]
2002	[illegible]	[illegible]	[illegible]
2003	[illegible]	[illegible]	[illegible]
2004	[illegible]	[illegible]	[illegible]
2005			
Q1	[illegible]	[illegible]	[illegible]
Q2	[illegible]	[illegible]	[illegible]
Q3	[illegible]	[illegible]	[illegible]
Q4	[illegible]	[illegible]	[illegible]
2006			
Q1	[illegible]	[illegible]	[illegible]
Q2	[illegible]	[illegible]	[illegible]
Q3	[illegible]	[illegible]	[illegible]
Q4	[illegible]	[illegible]	[illegible]

[illegible]

Table A.2.4.2
Weighted Average Deposit and Lending
Rates of Deposit Money Banks

Year	Savings	Prime 1/	Maximum
1970	3.00	7.00	7.50-8.00
1971	3.00	7.00	10.00
1972	3.00	7.00	10.00
1973	3.00	7.00	10.00
1974	3.00	7.00	10.00
1975	4.00	6.00	9.00
1976	4.00	6.00	10.00
1977	4.00	6.00	6.00
1978	4.00-5.00	7.00	11.00
1979	5.00	7.50	11.00
1980	6.00	7.50	9.50
1981	6.00	7.75	10.00
1982	7.50	10.25	11.75
1983	7.50	10.00	11.50
1984	9.50	12.50	13.00
1985	9.50	9.25	11.75
1986	9.50	10.50	12.00
1987	14.00	17.50	19.20
1988	14.50	16.50	17.60
1989	16.40	26.80	24.60
1990	18.80	25.50	27.70
1991	14.29	20.01	20.80
1992	16.10	29.80	31.20
1993	16.66	18.32	36.09
1994	13.50	21.00	21.00
1995	12.61	20.18	20.79
1996	11.69	19.74	20.86
1997	4.80	13.54	23.32
1998	[illegible]	[illegible]	21.34
1999	[illegible]	[illegible]	27.19
2000	5.29	17.98	21.55
2001	5.49	18.29	21.34
2002	5.08	24.40	29.70
2003	4.15	20.48	22.47
2004	4.44	19.15	[illegible]
2005	3.75	[illegible]	19.47
Q1	4.22	18.20	20.04
Q2	4.03	17.80	19.17
Q3	3.44	17.60	19.11
Q4	3.22	17.78	19.54
2006			
Q1	3.00	1010	17.90
Q2	3.00	17.10	[illegible]
Q3	[illegible]		

Table A.2.9 (a)
Number of Deposit Money Banks Branches in Nigeria and Abroad

Year	Number of banks	Branches: Urban	Branches: Rural	Branches: Abroad	Total
1970	14	-	-	-	273
1971	15	-	-	-	318
1972	16	-	-	-	307
1973	[illegible]	-	-	-	385
1974	17	-	-	-	403
1975	17	-	-	-	436
1976	18				[illegible]
1977	19	474	[illegible]	5	492
1978	19	511	98	5	614
1979	20	[illegible]	[illegible]	8	672
1980	20	565	168	7	740
1981	[illegible]	[illegible]	[illegible]	-	[illegible]
1982	[illegible]	[illegible]	[illegible]	7	991
1983	[illegible]	[illegible]	[illegible]	7	[illegible]
1984	[illegible]	[illegible]	[illegible]	7	[illegible]
1985	[illegible]	[illegible]	[illegible]	7	[illegible]
1986	29	[illegible]	[illegible]	7	1,367
1987	[illegible]	[illegible]	[illegible]	7	[illegible]
1988	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1989	[illegible]	[illegible]	[illegible]	6	1,855
1990	58	1,169	765	5	1,939
1991	65	1,253	765	5	2,023
1992	65	1,445	774	6	2,225
1993	66	1,577	775	6	2,358
1994	65	[illegible]	[illegible]	6	2,403
1995	64	1,601	701	6	2,308
1996	[illegible]	1,727	675	5	2,407
1997	[illegible]	1,727	675	5	2,407
1998	54	1,406	[illegible]	5	2,185
1999	54	1,466	[illegible]	5	2,185
2000	54	1,466	722	5	2,193
2001	[illegible]	[illegible]	722	5	2,193
2002	65	2,283	722	5	3,010
2003	90	[illegible]	722	5	3,247
2004 [1]	89	2,765	722	5	3,492

Note: Classification of Branches into Urban and Rural started in June 1977
Source: Central Bank of Nigeria

Table 2.9 (b)
Domestic and Foreign Banks Branches Network as at July 2007

Domestic Branch Network by State

S/N	State	No. of Branches
1	Abia	110
2	Abuja (FCT)	225
3	Adamawa	[illegible]
4	Akwa-Ibom	77
5	Anambra	162
6	Bauchi	44
7	Bayelsa	28
8	Benue	45
9	Borno	[illegible]
10	Cross River	[illegible]
11	Delta	130
12	Ebonyi	13
13	Edo	[illegible]
14	Ekiti	49
15	Enugu	93
16	Gombe	30
17	Imo	56
18	Jigawa	32
19	Kaduna	114
20	Kano	144
21	Katsina	44
22	Kebbi	31
23	Kogi	[illegible]
24	Kwara	[illegible]
25	Lagos	1,341
26	Nasarawa	[illegible]
27	Niger	[illegible]
28	Ogun	115
29	Ondo	[illegible]
30	Osun	[illegible]
31	Oyo	154
32	Plateau	65
33	Rivers	205
34	Sokoto	49
35	Taraba	29
36	Yobe	34
37	Zamfara	24
	TOTAL	4085

Foreign Branch Network

S/N	Country	No. of Branches
1	Benin Rep.	2
2	Gambia	2
3	Ghana	4
4	G. C. Island	1
5	New York	1
6	S. Leone	1
7	U. K.	2
	TOTAL	13

NUMBER OF MICROFINANCE BANKS (FORMER COMMUNITY BANKS) IN KADUNA STATE.

The sum of N32.0m was given out under the Kaduna State NAPEP Multi Partner Micro Finance Programme to 8 Community Banks as follows:

1. "As at today", the N32.0Million Micro Credit given out has been 100% repaid. This amount of money was given to 1,424 people across the length and breadth of Kaduna State and these people had under their employment 3,179 people.

2. With the above success story, coupled with the support of the Kaduna State Government for [illegible] Community Banks in the State to transform to Micro Finance Banks, a total of [illegible] Micro Finance Banks emerged in Kaduna State. Another [illegible] of fund [illegible] worth N120.0 million have been made to the 20 Micro Finance Banks for on lending to people in and around their operational areas. The present Circle is expected to end by October, 2008. Thereafter, an assessment of the intervention would be made and another circle launched based on the outcome of the performance in this circle. We have programmed the [illegible] for 100% [illegible] through the Micro Finance Banks [illegible] the volume of the funds through these Micro Finance Banks for effective Micro Credit Delivery and Poverty Alleviation in Kaduna State on a revolving and sustainable [illegible] moderate interest rates. The present fund of N120.0 million is being loaned out through the Microfinance [illegible] per annum.

The 20 Micro Finance Banks now in Kaduna State are as follows:-

1. Ahmadu Bello University Microfinance Bank, Samaru Zaria;
2. Atyap Microfinance Bank, Samaru Kataf;
3. Legacy Microfinance Bank, Zonkwa;
4. Barnawa Microfinance Bank, Barnawa, Kaduna.
5. Balera Microfinance Bank, Lere;
6. Birni Microfinance Bank, Zaria City;
7. Chat Microfinance Bank, Manchok;
8. Fahinda Microfinance Bank, Mohammadu Buhari Way, Kaduna
9. Common Wealth Microfinance Bank, Kafanchan;
10. Giwa Microfinance Bank, Giwa;
11. Gworok Microfinance Bank, Kagoro;
12. Gwong Microfinance Bank, Fadan Kagoma;
13. Hamda Microfinance Bank, Kwoi;
14. Hamdala Microfinance Bank, Makarfi;
15. Sanga Microfinance Bank, Gwantu;
16. Nakowa Microfinance Bank, Zaria;
17. Saminaka Microfinance Bank, Saminaka;
18. Sabon Yelwa Microfinance Bank, Sabon Tasha, Kaduna;
19. Alira Microfinance Bank, Ibrahim Taiwo Road, Kaduna City;
20. KADA Microfinance Bank, Tudun Wada, Kaduna.

Table A 7.6
Deposits and Loans of Rural Branches of Deposit Money Banks
(=N= Million)

Year/Quarter	Deposits	Loans	Ratio 1/
1982	111.7	35.9	32.1
1983	131.2	44.2	33.7
1984	276.6	58.2	21.0
1985	311.4	114.9	30.0
1986	873.5	373.6	42.8
1987	1,229.2	492.3	40.1
1988	1,373.4	659.9	47.9
1989	5,722.0	3,721.1	65.0
1990	8,360.1	4,730.8	56.6
1991	10,580.7	5,962.1	56.3
1992	4,612.2	1,895.3	41.1
1993	19,542.3	10,910.4	55.8
1994	4,855.2	1,602.2	33.0
1995	8,807.1	8,659.3	98.3
1996	12,442.0	4,411.2	35.5
1997	19,047.6	11,158.6	58.6
1998	18,513.8	11,852.7	64.0
1999	15,860.5	7,498.1	47.3
2000	20,640.9	11,150.3	54.0
2001	16,875.9	12,341.0	73.1
2002	14,861.6	8,942.2	60.2
2003	20,551.8	11,251.9	54.7
2004	64,490.0	34,118.5	52.9
2005			
Q1	18,931.6	20,184.1	106.6
Q2	14,638.2	18,915.0	129.2
Q3	12,[illegible]07.4	[illegible]	188.9
Q4	18,461.9	[illegible]	87.2
2006			
Q1	131,765.6	17,622.3	16.0
Q2	17,622.3	22,457.3	127.4
Q3	10,596.9	26,195.4	247.2
Q4	3,118.6	24,274.6	778.4

Appendix H

Estimated result of equation 3.2

Dependent Variable: LOANS
Method: Least Squares
Date: 09/11/10 Time: 13:45
Sample: 1997 2006
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
DEPOSIT	0.335939	0.197667	2.699522	0.1401
INTSAV	-13675.07	10600.42	-3.290049	0.2445
INTLOANS	-1294.761	1665.735	-0.777291	0.4665
C	106977.9	67967.70	1.573952	0.1666

R-squared	0.866357	Mean dependent var	27750.26
Adjusted R-squared	0.799535	S.D. dependent var	31003.86
S.E. of regression	13881.45	Akaike info criterion	22.20367
Sum squared resid	1.16E+09	Schwarz criterion	22.32470
Log likelihood	-107.0183	F-statistic	12.96522
Durbin-Watson stat	2.469585	Prob(F-statistic)	0.004952

Source: Computed from e-views 5 based on the data in table 4.1.

Appendix I
Estimated result of equation 3.4

Dependent Variable: SAV
Method: Least Squares
Date: 09/11/10 Time: 10:43
Sample: 1997 2006
Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
Y	41.29686	37.35102	3.105642	0.3112
IR	-18322.64	30307.10	-2.604566	0.5676
INFR	-3732.207	2679.931	-1.392651	0.2131
C	41852.25	236855.8	0.176699	0.8656

R-squared	0.781944	Mean dependent var	41838.46
Adjusted R-squared	0.672916	S.D. dependent var	46810.16
S.E. of regression	26771.30	Akaike info criterion	23.51722
Sum squared resid	4.30E+09	Schwarz criterion	23.63826
Log likelihood	-113.5861	F-statistic	7.171969
Durbin-Watson stat	1.991468	Prob(F-statistic)	0.020737

Source: Computed from e-views 5 based on the data in table 4.2.