FINANCIAL DEVELOPMENT AND SAVINGS: EMPIRICAL EVIDENCE FROM NIGERIA

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ABSTRACT
The study examined the nexus between Financial Development and savings in Nigeria for the period 1981 to 2018. The data for the study was sourced from Central Bank of Nigeria (CBN) Statistical Bulletin covering 37 years and was analyzed using Ordinary Least Square (OLS) econometric technique and Granger Causality test. The study found that Financial Development had a positive significant relationship with savings in Nigeria while savings rate on the other hand had a positive but insignificant effect on savings. Furthermore, the result of the Granger causality test indicated there is a unidirectional causality running from financial development to Savings in Nigeria. The study, therefore, recommended for greater deepening of the financial sector through financial innovations, improved financial instruments and increased deposit rates so as to enable the sector to further contribute to domestic savings mobilization in Nigeria.

Key Words: Financial Development, Economic Growth and Savings.

JEL Classification: E44, O16, O55

1. Introduction

The literature on financial development and growth has received a great deal of attention over the past four decades. Numerous studies have been conducted to look at the relationship between financial development and economic growth (see Levine 1997; 2004, Zhuang etal 2009, Bist 2018 and Yang fan 2019). However, unlike growth, very few studies (Iganiga 2010 and Ewetan et al 2015) have looked at the nexus between financial development and savings. Based on the above, the present research effort attempts to examine the nexus between financial development and savings in Nigeria.

Financial intermediaries are statutorily vested with the primary responsibility of financial intermediation in order to make funds available to all economic agents. This process involves moving funds from surplus sectors of the economy to deficit sectors. The extent to which this could be done depends on the level of development of the financial sector as well as the saving habits of the people. Thus, financial development involves the establishment and expansion of financial institutions, instruments and markets that support investment and growth process

through the improvements in the quantity, quality and efficiency of financial intermediary services (Ewetan and Okodua, 2013).

Savings on the other hand is critical in the developmental process and the financial system must be well developed to generate the needed savings to finance investment activities that will accelerate the rate of growth and development. According to Budha (2012), the savings rate is an important determinant of a country's long-run per capita income. In line with the above, the neoclassical exogenous growth model argues that the higher the rate of savings, the richer the country in per capita income. Similarly, the endogenous growth theories predict that savings rate determines long-run growth, as a higher savings rate leads to a higher economic growth rate.

Nigeria as a developing economy has made remarkable efforts over the years to reform its financial system ranging from the deregulation and liberalization of the financial sector activities under SAP in 1986, banking sector consolidation in 2005, financial system strategy (FSS) in 2007 and the National Financial Inclusion Strategy (NFIS) which was launched in 2012. The NFIS strategy provided initiatives to addressing the barriers to financial services in Nigeria and sets a clear agenda for increasing both access to and usage of financial services.

However, in spite of these great efforts aimed at reforming the financial sector, the level of domestic savings is still very low and not strong enough to significantly fund the economy's full growth potentials (Nnanna et al., 2004) even though the various indicators (ratio of money supply to gross domestic product (GDP) i.e (M2/GDP) and ratio of private sector credit to GDP) used in measuring financial sector development has been increasing steadily over the years.

According to central bank of Nigeria annual report 2018, the Nigerian financial sector has been making steady progress over the years though at some periods the fortunes of the sector dwindled. According to the report, the ratio of money supply to GDP (M2/GDP) which measures the depth of the sector increased from 10% in 1981 to about 12.7% in 1991 with a sharp fall to 9.2% in 1996 and in 2016 it stood at 21.3% before declining to 19.63% in 2018. The banking sector on the other hand also showed stronger capacity to finance real sector activities as the ratio of private sector credit to GDP increased from 5.9% in 1981 to 20.8% in 2016 and in 2018 it declined to 17.63%. Furthermore, Uwakaeme (2015) argued that there is implicit belief that the Nigerian economic environment has been unable to attract foreign direct investment to its fullest potential given the unstable operating environment which is characterized by inefficient capital markets, fragile financial system among others. This no doubt has exerted a negative influence on national savings.

An overview of total savings as a ratio of GDP in Nigeria as published in the CBN statistical bulletin 2018 revealed that in 1981, savings to GDP ratio was 6.91%. In 1986 it increased further to 10.31% but in 1996, it fell to 3.73%. In 2009, the savings GDP ratio recorded its highest increase as it stood at 23.25% but in 2010 the following year the ratio recorded a sharp fall by decreasing to 10.90% with a slight increase to 13.49% in 2014. However, in 2016 the

ratio decreased to 12.13% with a further decrease to 11.79% in 2018. Given the above trend, it becomes imperative to investigate why the various improvements recorded in the indicators of financial sector development has not reflected so much on savings mobilization in Nigeria. Could it be that the financial sector in Nigeria is not deep enough to encourage savings mobilization? This puzzle forms the bedrock of the present research effort. In essence the study seeks to examine the relationship between financial development and savings in Nigeria. In addition, the study would also test for the direction of causality between financial development and savings in Nigeria. This is important because as Gujarati (2004) stated, the existence of a relationship between variables does not prove causality or succinctly put, correlation does not imply causation. Thus, can changes in savings be attributed to improvement and development in Nigeria's financial sector? Answering the above research questions would help us to see whether, how and to what extent financial development contributes to savings in Nigeria.

The rest of this paper is structured as follows; section two briefly reviews various related literature, section three discusses the methodology, section four presents the result of the analysis and interpretation of findings and section five provides the summary and recommendations.

2. Review of Literature

2.1 Theoretical Literature

The financial repression hypothesis of McKinnon (1973) and Shaw (1973) provided the theoretical foundation for the link between financial development and savings. The hypothesis emphasized the role of real interest rate on savings, investment and thus economic growth. The McKinnon-Shaw thesis contended that the financial sector is growth inducing but when repressed becomes an obstacle in the path of real growth. This crucial role of the financial sector arises from their ability to mobilize savings and their transfer of savings from household to investors. The hypothesis attributed the inability of developing countries to attain real positive growth to the interventionist policies of their governments which take the form of ceilings on deposit and lending rates in the operation of their financial system. The hypothesis therefore stressed the need for developing countries to use high nominal interest rates to promote savings, reduce distortions in investment and enhance effective information between savers and investors.

Arguing from a theoretical perspective also, Levine (2004) and Zhuang, Gunatilake, Khan, Hasan, Lagman-Martin, Bracey and Huang (2009) identified five key functions that the financial system performs in facilitating growth. These include- mobilization and pooling of savings, producing information about possible investments and allocating capital, monitoring investment and exerting corporate governance, facilitating trade and management of risk.

On mobilizing and pooling of savings, Levine (2004) opined that savings mobilization as a process of agglomerating capital from diverse savers for investment is very costly. The cost involves overcoming transaction costs and informational asymmetry problems. According to Levine (2004), financial systems that are more effective at pooling the savings of individuals promote economic development by increasing savings, exploiting economies of scale, and

overcoming investment indivisibilities. With large, indivisible projects, financial arrangements that mobilize savings from many diverse individuals and invest in a diversified portfolio of risky projects facilitate a reallocation of investment toward higher return activities with positive implications for economic growth. Hence, better savings mobilization boosts technological innovation and improves resource allocation. In agreement, Iganiga and Obafemi (2006) stated that the financial system helps to mobilize the collection and storage of savings. The system encourages greater savings by offering a variety of avenues to lenders to invest their assets thus providing a basket of portfolios. Furthermore, Nzotta (1999) in trying to establish the link between financial development and savings argued that the financial sector exists primarily to improve and sustain the mobilization and allocation of financial resources in an economy. This it accomplishes through offering savers, investors and borrower's various risk return profiles and a more efficient mechanism to adjust their portfolio of assets to meet changing needs. Thus, a well-developed financial system should achieve greater mobilization of savings and also channel it efficiently and effectively. The implication of the above is that the financial system should ensure the efficient transfer of savings from those who generate them to those who ultimately use them for investment or consumption.

2.2 Empirical Literature

On empirical front, Rodrigo et al (2020) examined the dynamics of savings in Chile from 1960 – 2013. The study found that in Chile, financial market deepening, tax reforms and boost in marginal productivity of capital are the main drivers of savings.

Guru and Yadav (2019) investigated the link between financial development and economic growth in five emerging economies from 1993 –2014 using generalized method of moment system estimation. The study found that financial development significantly contributed to economic growth in these economies.

Yang fan (2019), in his study titled "The impact of financial development on economic growth in middle-income countries" examined how financial system development positively influences economic development in middle income nations. Employing new measures of financial development and earlier models and methodology of Levine (2004) the study found that financial development influences economic growth through physical capital stock and total factor productivity channels.

Using comprehensive panel data covering the period 1980 – 2015 and two step instrumental variable generalized method of moment, Boateng et al (2019) sought to determine whether the quality of institutions explained the disparities in savings in Sub-Saharan Africa (SSA). The empirical result from the study showed that financial sector development impeded savings in most of the SSA countries.

Bist (2018) examined the relationship between financial development and economic growth in 16 selected African and non-African low income countries from 1995 – 2014 using panel unit root and co-integration analysis. The result from the study showed that in majority of the countries, financial development exerted a positive and significant impact on economic growth.

Employing Johansen co-integration analysis Kapingura and Alagidede (2016) examined the nexus between financial sector development and savings mobilization in South Africa from 1980 – 2012. The study found an indirect relationship between interest rate and savings.

Nyasha and Odhiambo (2018) in their own study titled "financial development and growth nexus: A revisionist approach", argued that the relationship between financial development and economic growth is highly complex and is dependent on a number of factors. Hence, the argument that financial development always leads to economic growth should be taken with extreme caution.

Using multivariate distributed lag framework to re-assess the finance growth poverty linkage in Ghana for the period 1960-2015, Sin-Yu Ho and Iyke (2018) found that financial development caused economic growth in Ghana.

Dewi et al (2018) empirically explored the dynamics of financial development, economic growth and poverty reduction in Indonesia using ARDL co integration approach and covering the period 1980 – 2015. The study found that there is a long run relationship between financial development, economic growth and poverty reduction in Indonesia. It also found a unidirectional causality running from financial development and poverty reduction and bidirectional causality between economic growth and poverty reduction.

Sin-Yu Ho and Iyke (2017) examined the link between bank-based financial development and economic growth in Hong Kong during the period 1990 – 2014. Specifically, the study tested whether Hong Kong follows a supply leading or a demand-following hypothesis using the Toda-Yamamoto test for causality and two indicators of bank-based financial development – in order to report robust results. The study found Hong Kong to follow the supply-leading hypothesis implying that the banking sector is vital in driving economic growth in Hong Kong during the study period.

Ikubor (2019) empirically examined the relationship between financial sector development and savings mobilization in Nigeria from 1986 – 2017 using error correction model and co-integration analysis. The study found that financial development proxied by interest rate had a positive and significant effect on domestic savings in Nigeria.

Ayinde and Yinusa (2016) investigated the relationship between financial development and inclusive growth in Nigeria for the period 1980 – 2013 using quantile regression to obtain a threshold for which the former impacts on the latter. The result showed a threshold level of 90th percentile. The study also found that the impact of financial development on inclusive growth depends on the measure of the former up to the threshold level and not beyond. On the question of causality, the result showed the direction of causality is through the inclusive growth rather than through financial development. Financial deepening was also found to be negatively related to inclusive growth.

Ewetan et al (2015) examined the long-run relationship between financial sector development and domestic saving in Nigeria for the period 1980 to 2012 using time series data. It employed bounds tests co integration approach also known as autoregressive distributed lag estimation

due to mixed integration order of the variables and small sample size. The study made use of a composite index constructed from the three alternative financial development measures. The econometric results provided evidence of long run relationship between financial sector development and domestic saving in Nigeria. The constructed composite index of financial development had a positive and significant impact on domestic savings hence the study recommended that government should consolidate on past financial sector reforms to improve domestic saving mobilization thus reduce the dependence of Nigeria on foreign savings to finance domestic investment.

Nyanzi and Kaberuka (2013) using Granger and Engel framework and structural change analysis to study the effect of financial sector liberalization on private financial savings in Uganda found a positive relationship between financial liberalization and private financial savings.

Iganiga (2010) used the least square technique to evaluate the Nigerian financial sector reforms within the framework of a behavioural model and found that financial reforms had a positive and significant impact on domestic savings. Mathew and Olowe (2011) in a study on the impact of liberalized financial system on savings, investment and growth in Nigeria found that financial liberalization had a positive and significant impact on savings.

Ang (2011) examined savings mobilization, financial development and liberalization in Malaysia using the auto-regressive distributed lag (ARDL) model. He found two contradictory results, a positive relationship between financial deepening and private savings on one hand, and a negative relationship between financial liberalization and private savings on the other hand.

Asamoah (2008) examined the impact of financial sector reforms on savings, investments and gross domestic product in Ghana and found a positive and significant relationship between financial reforms and savings. Quartey (2005) in a study on financial sector development, savings mobilization and poverty reduction in Ghana, used a multivariate VAR and vector error correction model and found that there is no relationship between financial sector development and savings mobilization.

Khan and Hasan (1998) in a study on financial liberalization, savings, and economic development in Pakistan found that financial liberalization had a positive and significant impact on savings. A number of scholars found contrary statistical relationship between financial development and savings rate. For example, King and Levin (1993) found that higher levels of financial development are associated with faster capital accumulation. Loayza, Schmidt and Serven (2000) and Horioka and Yin (2010) on the other hand found a negative correlation while Park and Shin (2009) found the impact of financial development on growth to be insignificant.

3. Methodology

3.1 Model Specification

In order to estimate the relationship between financial development and savings in Nigeria, the linear regression model based on the ordinary least square (OLS) technique would be employed. Ordinary least square (OLS) is extensively used in regression analysis primarily because it is intuitively appealing and mathematically much simpler than any other econometric technique (Gujarati, 2004). The general functional form of the linear regression model is stated below following Ewetan *et. al*, (2015). The model is modified with the introduction of inflation rate as one the control variables.

SAV = f (FD, SR, INF) (1)

The mathematical/econometric form is specified in the long run as follows:

$$SAV_t = \alpha_0 + \alpha_1 FD + \alpha_2 SR + \alpha_3 INF + U_t \quad (2)$$

Where;

SAV= Savings measured by total savings as ratio of GDP at current basic prices. It was used in Quartey (2005), Ewetan (2015) and Boateng et al (2019) as a measure of savings mobilization.

FD = Financial Development proxied by the ratio of broad money supply to GDP. The ratio which was used in Levine (2004), Yang fan (2019) and Rodrigo et al (2020), measures the depth and the systematic relevance of the financial sector in providing transactions services and saving opportunities.

SR = Savings or Deposit rate. The rate was used in Ewetan (2015) and Kapingura and Alagidede (2016) to measure the amount paid by banks for funds withdrawable after a period of time.

INF = Inflation rate was computed from consumer price index. It was used in Ewetan (2015) and was included in the model as a control variable in order to obtain robust estimates since according to economic theory is one of the factors that affect savings.

$\mathbf{U_t}$ = Error term

According to Engel and Granger once a number of variables are found to be co integrated, there always exist a corresponding error correction representation which implies that changes in the dependent variable are a function of the level of disequilibrium in the co integration relationship (captured by the error correction term) as well as changes in other explanatory variables. The short run/ECM corresponding to our situation is specified below;

$$\Delta SAV_t = \alpha_0 + \alpha_1 \Delta FD + \alpha_2 \Delta SR + \alpha_3 \Delta INF + \alpha_4 ECM_{t-i} + U_t \quad (3)$$

In order to test for the direction of causality between financial development and savings in Nigeria, a bilateral granger causality model is specified below:

$$SAV_t = \sum_{i=1}^{n} \alpha i FD_{t-i} + \sum_{j=1}^{n} \beta j SR_{t-j} + \sum_{i=1}^{n} \delta i INF + \sum_{j=1}^{n} \phi j SAV + U_{1t} \quad (4)$$

$$FD_t = \sum_{i=1}^{n} \alpha i FD_{t-i} + \sum_{j=1}^{n} \beta j SR_{t-j} + \sum_{i=1}^{n} \delta i INF + \sum_{j=1}^{n} \phi j SAV + U_{2t} \quad (5)$$

$$SR_t = \sum_{i=1}^{n} \alpha i FD_{t-i} + \sum_{j=1}^{n} \beta j SR_{t-j} + \sum_{i=1}^{n} \delta i INF + \sum_{j=1}^{n} \phi j SAV + U_{3t} \quad (6)$$

$$INF_t = \sum_{i=1}^{n} \alpha i FD_{t-i} + \sum_{j=1}^{n} \beta j SR_{t-j} + \sum_{i=1}^{n} \delta i INF + \sum_{j=1}^{n} \phi j SAV + U_{4t} \quad (7)$$

Determining the direction of causality between savings and financial development is very important because the existence of a relationship between variables does not prove causality or the direction of influence.

3.2 Source of Data Collection

The data used for the study were all sourced from Central Bank of Nigeria (CBN) Statistical Bulletin (2018) covering a period of 37 years i.e. from 1981- 2018.

4. Results and Discussion

4.1 Unit Root Test Result

To avoid running a spurious regression, a unit root test was carried out to ensure that the variables employed in this study are mean reverting i.e stationary. For this purpose the Augmented Dickey Fuller (ADF) test was utilized and the result of the test is presented in the table below.

Table 4.1: Results of ADF Unit Root Test

Variables	Level form		First difference		Order of Integration
	ADF Statistics	1% Critical Value	ADF Statistics	1% Critical Value	
SAV	-2.281752	-3.621023	-6.561600	-3.626784	I(1)
FD	-1.072075	-3.621023	-5.643062	-3.626784	I(1)
SR	-1.021115	-3.621023	-6.192648	-3.626784	I(1)
INF	-3.117295	-3.621023	-5.876619	-3.626784	I(1)

Source: Author's computation using EViews 9

From table 4.1 above, it is observed that all the variables (SAV, FD, SR and INF) were non-stationary in their level form but became stationary after first difference. At 1% test critical value, the null hypothesis of non-stationary could not be rejected thus leading us to conclude that they are integrated of order one {I (1)}. Since the variables are integrated of the same order i.e. {I (1)} we proceed to examine their co integrating relationship using Engel Granger two step procedure.

4.2 Co integration Test Result

A necessary but insufficient condition for co integration is that the variables under investigation are integrated of the same order say {I (1)}. Hence a co integration test was carried out to ascertain if there is a long-run relationship between the dependent variable (SAVINGS) and the independent variables employed in the model. This was done using the Engel - Granger two step procedures. The result of the co integration test is presented in the table below

Table 4.2: ADF Unit Root Test on Residual

Variable	ADF Test Stat	1% Critical Value	Remark
Residual (RESID 01)	-3.990821	-3.621023	Stationary

Source: Author's computation using EViews 9

The result in the table above clearly shows that the ADF Test statistic (-3.99) is greater than the 1% test critical value (-3.62) in absolute terms. This implies that the residuals are stationary leading us to conclude that the variables are co integrated and also a good reason to apply the error correction model (ECM)

4.3 Presentation and Discussion of Regression Result

Table 4.3.1 Long Run Regression Result

Dependent Variable: (SAV)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
FD	0.783914	0.132542	5.914461	0.0000
SR	0.119314	0.124877	0.955452	0.3461
INF	-0.034720	0.029021	-1.196350	0.2398
C	0.783914	0.132542	5.914461	0.0000
R-squared = 0.608225; Adjusted squared = 0.573657 F-statistic = 17.59485; Prob (F-statistic) = 0.000000 Durbin-Watson stat = 1.080277				

Source: Author's computation using EViews 9

Table 4.3.2 Error Correction Mechanism (ECM) Result

Dependent Variable: (SAV)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D(FD)	0.962742	0.245917	3.914900	0.0004
D(SR)	0.290745	0.208416	1.395021	0.1726
D(INF)	-0.026269	0.022571	-1.163843	0.2531
RESID01(-1)	-0.587206	0.159201	-3.688450	0.0008
C	-0.089447	0.366110	-0.244318	0.8085
R-squared = 0.469944; Adjusted squared = 0.381601 F-statistic = 5.319554; Prob (F-statistic) = 0.001289 Durbin-Watson stat = 2.087556				

The estimated short run regression result in table 4.3.2 above shows that financial development (FD) has a positive significant relationship with total savings (SAV) in Nigeria. Its estimated coefficient and t-statistics being 0.963 and 3.915 respectively. This implies that increase in financial sector development leads to increase in total savings. From the result above, a one percent increase in financial development will lead to a 96.3% increase in total savings. This finding conforms to a prior economic expectation and also consistent with the earlier studies of Levine (2004), Zhuang et al (2009) and Ewetan et al (2015) which held that a well-developed financial sector enhances savings mobilization by improving the efficiency of financial intermediation. It does not support the earlier works of Quartey (2005), Horioka and Yin (2010) and Boateng et al (2019) which found no significant relationship between financial development and savings mobilization. A similar result was also obtained in the long run as shown in table 4.3.1 above.

Savings or deposit rate (SR) also had a positive relationship with total savings (SAV) in Nigeria. This means that the higher the deposit rate the higher the level of total savings in Nigeria hence conforming to McKinnon and Shaw hypothesis which posit that increase in interest leads to higher savings and investment. However the result of the t-statistics shows that the positive influence of savings rate (SR) on total savings (SAV) in Nigeria is not statistically significant. This is because the probability value of the t-stat (0.17) is greater than the five percent (0.05) significant level. This finding is in sharp contrast to the earlier finding of Nyanzi and Kaberuka (2013) and Kapingura and Alagide (2016). However, the reason for this finding might be due to low deposit rates (4.07%) offered by commercial banks in Nigeria which do not encourage savings. A similar result was also obtained in the long run as shown in table 4.3.1 above.

The result further revealed that inflation rate on the other hand had a negative and insignificant relationship with total savings in Nigeria. The negative coefficient is in line with economic theory as inflation erodes the real value of money. A similar result was also obtained in the long run as shown in table 4.3.1 above.

The ECM (RESID01) lagged value (-0.5872) in table 4.3.2 is negative and statistically significant. This suggests that following short run disequilibrium, 58.72% of disequilibrium errors from the previous year's shock converge back to long run equilibrium in the current year. The coefficient of multiple determinations (R^2) is estimated to be 0.4699. This implies that Financial Development (FD), Savings rate (SR) and Inflation rate (INF) jointly explain 46.99% of the total variations in Savings (SAV) in Nigeria. This shows goodness of fit and the goodness of fit of this model is further corroborated by the high estimated F-statistics which is 5.32 and statistically significant at five percent. Using Durbin Watson statistics to test for the existence or otherwise the presence of autocorrelation shows that the model is free from the problem of autocorrelation. This is because the Dw statistics value (2.08) in table 4.3.2 is greater than Du = 1.73 [i.e. 2.12 > 1.73]. A similar result of no autocorrelation was obtained using Breusch Godfrey serial correlation LM Test. We arrived at this conclusion because the P-value (0.3875) of its F-statistics is greater than (0.05) and thus not statistically significant.

4.4 Granger Causality Test Result

To achieve the second objective of our study, a test of granger causality was carried out to determine the direction of causality between financial development (FD) and Savings (SAV) in Nigeria. The test result is presented in the table below:

Table 4.4 Pair wise Granger Causality Test

Null Hypothesis:	Obs	F-Statistic	Prob.
FD does not Granger Cause SAV		**2.68816**	**0.0838*** **
SAV does not Granger Cause FD	36	**1.03247**	**0.3680**
SR does not Granger Cause SAV		2.78026	0.0775
SAV does not Granger Cause SR	36	0.40184	0.6725
INF does not Granger Cause SAV		2.23412	0.1240
SAV does not Granger Cause INF	36	0.34570	0.7104
SR does not Granger Cause FD		2.73757	0.0804
FD does not Granger Cause SR	36	0.27108	0.7643
INF does not Granger Cause FD		5.08912	0.0123
FD does not Granger Cause INF	36	0.90545	0.4148
INF does not Granger Cause SR		10.7428	0.0003
SR does not Granger Cause INF	36	9.01750	0.0008

Source: Author's computation using EViews 9 * Significant at 10%**

The Granger causality test result presented in table 4.4 above shows that there is a unidirectional causality running from FD to Savings since the probability value of the F-statistic is significant at ten percent. The implication of this finding is that in Nigeria, financial development (FD) granger causes savings (SAV) without a feedback.

5. Conclusion and Recommendations

The aim of this study was to examine the nexus between financial development and savings in Nigeria. Using annual data obtained from the CBN statistical bulletin 2018 and covering the period 1981-2018, the study employed ordinary least squares econometric technique and Granger Causality test to examine the causal relationship between financial development and savings in Nigeria. The summary of the major empirical findings are stated below:-

1. There exist a long run causal relationship between financial development and total savings in Nigeria.
2. The estimated regression result showed that financial development had a positive significant relationship with total savings in Nigeria. The implication of this finding is that financial development is very critical to savings mobilization in Nigeria.
3. Savings or deposit rate on the other hand exerted a positive but insignificant effect on total savings in Nigeria.
4. The result further revealed that inflation rate had a negative and non-significant effect on total savings in Nigeria
5. Finally the granger causality test showed that in Nigeria, financial development (FD) granger causes savings (SAV) without a feedback

Based on the findings above, the study recommends the following.

1. Since the empirical result from our study provided evidence that financial development had a positive significant effect on total savings in Nigeria then there is need to adequately deepen the financial sector in Nigeria through innovations, improved financial instruments and infrastructures, adequate regulation and supervision, sound and efficient legal system that will guarantee efficient credit delivery system.
2. Secondly, the monetary authorities should increase the savings and deposit rate which is very critical for domestic savings mobilization. Consequently, the gap between deposit and lending rates which at present is 4.07% and 30.66% respectively should be reduced.
3. Finally, to encourage greater savings, financial intermediaries' especially commercial banks should closely monitor their credits to the private sector considering its impact on investment and productivity.

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