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Impact of Financial Savings Mobilization on Economic Growth in Nigeria

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Abstract

This study examined the impact of financial savings mobilization on economic growth in Nigeria using annual time series data ranging from 1981 to 2020. Applying the Persaran, Shin and Smith (2001) Autoregressive Distributed Lag (ARDL) model, the study found that credit to private sector (CPS), ratio of financial savings mobilization (FSM) and interest rate (INT) has a long and short run impact on economic growth in Nigeria. Findings also revealed that credit to private sector (CPS), ratio of financial savings mobilization (FSM) and interest rate (INT) were statistically insignificant on economic growth. Further, the ARDL regression result shows that the coefficients of credit to private sector (CPS), were positive to economic growth (RGDP) while the coefficients of financial savings mobilization (FSM) and interest rate (INT) were negative to economic growth (RGDP). In view of the findings, the study recommends that there should be an increase in volume of credit to the private sector. The monetary authorities should use their credit guidelines to direct and/ or mandate banks to channel their financial mobilized savings

Keyword: Financial saving mobilization, economic growth, Credit to private sector, and Interest rate

JEL Classification : C56, D78, D23

1 Introduction

In the twenty first century, there has been an ongoing debate on the relationship between investment, savings, and economic growth. The classical school believes that savings represents limited financial means to execute investments and the two become equilibrated by interest rates in the long run. It simply implies from the perspective of the classical economists that shortage of savings can adversely affect economic growth. In 2015, the international community agreed to one of the most ambitious development agenda in history – the 2030

Agenda for Sustainable financial savings Development, with 17 Sustainable Development Goals and 169 targets. That same year, agreement was reached in Paris to pursue efforts to keep the rise in global temperatures to 1.5 degrees Celsius above pre-industrial levels. Achieving both requires scaling up investment on an unprecedented level, in new areas of energy delivery, productive activity and in infrastructure provision. This can only be accomplished through adequate, reliable financing savings mobilization for long-term productive investment. Given current global challenges and the urgent need to finance the Sustainable Development Goals, this note discusses core policy options and requirements for the effective, long-term saving mobilization for development finance. It focuses on scaling public investment and crowding in private investment. It evaluates regional institutions and mechanisms to facilitate resource for financial saving mobilization development, including regional monetary integration; the role of networks of national, regional, and multinational development banks; and the facilitation of access among small and medium-sized enterprises to reliable sources of affordable finance.

Savings mobilization is the process of channeling financial resources to fuel economic growth, as highlighted recently by Kelly and Mavrotas (2015) and Maimbo and Mavrotas (2015). Saving is one of the important variables for economic development that has emerged as the central issue in developing countries at least for two reasons. First, foreign aid inflow to the developing economies has declined during recent years. Second, saving positively affects the growth and development. However, it is widely recognized that developing countries often lack appropriate financial systems, ones that efficiently pool the savings of diverse households to make them available to borrowers. This issue therefore deserves more attention given that a better understanding of the way finance affects saving performance allows policy makers to evaluate the costs and benefits associated with liberalizing and deepening financial systems, thus enabling the formulation of effective policies. This understanding is critical for achieving the development goals of promoting financial stability and strengthening growth, as has recently been highlighted in the policy discussions for the attainment of the Millennium Development Goals (Mavrotas, 2015).

Although economic theory views savings as a leakage from the circular flow of productive resources, a rise in aggregate savings would coincide with larger investments and hence, higher growth rate for an economy. For economic development, growth is a must which cannot be achieved without investment or capital accumulation and saving through investment plays a vital role in this process.

Investments can be financed by external capital inflow but this involves huge uncertainty, politically humiliating terms and economically unfavorable conditions. Apart from this, the amount of such assistances is very much negligible in relation to our need. So, it will be beneficial to achieve the ability to move in the direction of increasing self-reliance in terms of financing investment or capital formation. It is the savings, which plays a dominant role in achieving self-reliance and then growth and stability. It can help a developing economy like Nigeria to get rid of the so-called low-level equilibrium trap or vicious cycle of poverty by creating a big push. This study highlights the importance of financial sector reform in mobilizing domestic savings more effectively for rapid economic growth. A world Bank study has also found that the paucity of financial savings, due to government rationing of available credit to so called priority sectors, has an adverse effect on economic growth by reducing both

the volume and the productivity of investment (World Bank, 2017).Various studies have tried to evaluate the impact of financial liberalization on private savings and hence on economic growth in a number of both developed (Bayoumi, 2013; Caporale & Williams, 2013; Chapple, 2013) and developing countries (Bandiera, 2013; Dayal Gulati & Thimann, 2013;). However, this study intends to fill the gap in the literature by empirically analyzing the determinants of private savings in Nigeria, with special emphasis on the impact of financial reform, and its impact on economic growth. The objectives of the study are therefore: (1) To find out the impact of financial savings mobilization on economic growth in Nigeria. (2) To assess how credit private sector impacted on economic growth in Nigeria.

The rest of the study is presented as follows: section 2 presents the literature review involving the theoretical underpinning of the study and the review of empirical studies. Section 3 focuses on material and methods which captures the data and model specifications. Section 4 analyses the data and divulges the findings, while sections 5 conclude the paper and highlights the recommendations.

2.0 Review of Related Literature

2.1 Conceptual Framework

2.1.1 Financial Savings Mobilization

The mobilization of savings embraces policies designed to increase the savings propensity and also policies concerned with the rechanneling of savings to facilitate the desired allocation of investment. Capital formation through savings mobilization is an important factor in economic growth. Countries that are able to accumulate high level of capital tends to achieve faster rates of economic growth and development (Utemadu ,2012). Savings provide developing countries like Nigeria with the much-needed capital for investment which improve economic growth. Increase in savings leads to increase in capital formation and production activities that will in turn lead to employment creation and reduce external borrowings of government. However, savings represents that part of income that is not spent on consumption but when applied to capital investment, output increases. Savings mobilization has been regarded as a key growth performance indicator. However, the correlation between savings and the rate of growth of income is not strong, nor can countries be ranked in their growth performance by their saving performance (Olusoji, and Adeleye 2016)

Changes in macroeconomic variables really impact on the structure and the level of savings of the financial sector. The linkage between macroeconomic variables and savings, and economic performance becomes significant important in a developing economy like Nigeria with underdeveloped market structure. Specifically, high rate of inflation, low disposable income and low spread of bank branches tend to put pressure on the level of savings while monetary shocks will tend to put pressure on the price level of banks' balance sheet. Economic conditions and policies are the key determinants of the level of savings and the stability of the financed system drives its mobilization. Financial sector fragility can impair the effective and efficient mobilization of savings which of course aid economic growth of Nigeria. For example, the low banks branch network/ spread system not only discourage savings but also impair economic growth and distorts the government aim of enhancing the banking habit of the people. It is important to note that with sound macroeconomic environment, supported by a stable and honest government, the environment savings

mobilization and its effective utilization would have been created. These pre-conditions have been lacking in most developing countries and this explains the low savings capacity among these countries. The importance of savings mobilization by deposit money banks cannot be over emphasized. The growth rate of Nigeria economy remains a challenging issue. It is because domestic savings which serves as a tool for capital mobilization towards financing aggregate investment needed for economic growth is very low. In view of this, rate of increment in savings mobilization does not synchronize with the developmental challenges encountered in economic growth and this factor mitigate against the growth of Nigerian economy.

2.1.2 Credit to private sector

According to Nwaeze and Michael (2014) credit to private sector refers to financial resources provided to the private sector by financial corporations, such as through loans, purchases of nonequity securities, and trade credits and other accounts receivable, that establish a claim for repayment. For some countries these claims include credit to public enterprises. The financial corporations include monetary authorities and deposit money banks, as well as other financial corporations where data are available (including corporations that do not accept transferable deposits but do incur such liabilities as time and savings deposits). Examples of other financial corporations are finance and leasing companies, money lenders, insurance corporations, pension funds, and foreign exchange companies.

Credit to private sector refers to the total amount of credit available to an individual or corporate borrower from a financial institution. The amount of credit that a financial institution holds at any time depends on the total amount of combined funds available in the institution, as well as the borrower's ability to repay the loan. The credit granted by the bank can be used to finance the purchase of an asset, such as a house or motor vehicle, or to fund working capital. Nwite (2010). The importance of credit in economic development cannot be overemphasized, especially in the context of developing countries that are trapped in a web of poverty which has become known as the vicious circle of poverty. Nwosu (2012), the vicious circle of poverty implies a circular constellation of forces tending to act and react upon one another in such a way as to ensure that poverty is self-perpetuating. Several theories emphasized the over-riding importance of capital in breaking the grip of poverty, removing structural rigidities and promoting economic development. For instance, the "big push" theory contends that a high minimum amount of investment is required to overcome the obstacles of development in poor countries and to launch it on the part of progress. Similarly, the "take-off" in Rostow's stages of growth theory is largely predicated on massive investment of capital.

Globally, economies (especially those of developing countries) are sometimes subject to serious financial shocks and capital constraint which impact negatively on macroeconomic variables, and cause the financial intermediation mechanism to suffer. This in turn dislocates the central role of banks as agents of savings mobilization and lenders for investment. To ameliorate this trend, especially after the 2007-2008 global financial crises, central banks around the world began to adopt traditional as well as unconventional credit easing policies to inject liquidity into the banking system so as to obviate recessionary outcomes in the economy. Thus, public authorities in Nigeria have in the last several years rolled out a number of credit or development interventions with the aim of promoting income and employment expansion

at both the firm and aggregate levels, build basic infrastructure and engender overall sustainable development.

The experience of Nigeria leaves no doubt that capital is a prerequisite for its economic and social progress as well as for effective public policy making. The Central Bank of Nigeria (CBN) recognizes that for the economy to function efficiently given structural rigidities, and for the private sector to develop and flourish, businesses need to have access to credit. In view of the paucity of credit, coupled with the problems of inadequate infrastructure, huge skills gaps, and very large informal sector, the CBN and other development partners such as the Bank of Industry (BoI), the Bank of Agriculture, among others embarked on significant credit injections to support the critical sectors of the economy.

2.1.3 Economic Growth

According to Agbada, and Osuji (2013) economic growth refers to an increase in aggregate production in an economy. It is an increase in the production of economic goods and services, compared from one period of time to another. Dewett (2005) sees economic growth as the process by which a nation's wealth increases over time. Although the term is often used in discussions of short-term economic performance, in the context of economic theory it generally refers to an increase in wealth over an extended period. Economic growth is an increase in the production of goods and services over a specific period. To be most accurate, the measurement must remove the effects of inflation (Patrick, 2019). Economic growth creates more profit for businesses, as a result, stock prices rise and that gives company's capital to invest and hire more employees. As more jobs are created, incomes increase and consumers have more money to buy additional products and services. Purchases drive higher economic growth. For this reason, all countries want positive economic growth. This makes economic growth the most-watched economic indicator (Patrick, 2020).

Economic growth is usually distinguished from economic development; the latter term being restricted to economies that are close to the subsistence level. The term economic growth is applied to economies already experiencing rising per capita incomes. In Rostow's phraseology economic growth begins somewhere between the stage of take-off and the stage of maturity; or in Clark's terms, between the stage dominated by primary and the stage dominated by secondary production. The most striking aspect in such development is generally the enormous decrease in the proportion of the labor force employed in agriculture (Onyido, 2019).

2.2. Theoretical framework

The study is hinged on supply leading theory propounded by Shaw (1973). The theory posits that a well-developed financial sector provides critical services to reduce transaction, information and monitoring costs and increase the efficiency of financial savings. It mobilizes savings, identifies, and funds good business projects, monitors the performance of managers, facilitates trading and the diversification of risks, and fosters exchange of goods and services. These services lead to efficient allocation of resources; lead to a more rapid accumulation of physical and human capital; and lead to faster technological innovation. This eventually results into faster and long-term economic growth (Schumpeter, 1911).

2.3 Empirical Review

Odhiambo (2008) investigated the relationship between savings and economic growth in Kenya determined that there was Granger causality between savings and economic growth and that savings were essential for the development of the financial sector. The research was aimed at investigating the causal relationship between savings, economic growth and the fiscal deficit using panel data from 1991-2005. His emphasis was on two-way causality which distinguished his work from other such studies. Kendall (2000) adopting the methodology of two stage least squares (2SLS) among other econometric techniques, used the McKinnon-Shaw model to evaluate the hypothesis "a rise in the expected real deposit interest rate leads to an increased savings income ratio". His endogenous variable was gross domestic product (GDP) and he had five other independent variables. In his findings, it was determined that the parameter estimates of the variables employed were of the correct sign and were significant providing support for the McKinnonShaw hypothesis.

Employing cross-sectional data within the period 1960-1997 and adopting Granger causality methodology, Anoruo and Ahmad (2001) evaluated the causal relationships between the rate of growth of domestic savings and economic growth in a number of African countries: Congo, Cote d'Ivoire, Ghana, Kenya, Nigeria, South Africa and Zambia. In their findings, it was established that savings in all the countries except Nigeria are co-integrated and that economic growth Granger-causes the rate of growth of domestic savings in all the countries except Congo. There was a bi-directional causality in Cote d'Ivoire and South Africa. Soyibo and Adekanye (1992) adopted five models in their study of which three had a direct relation with the study. In the first equation, private savings was the dependent variable with foreign savings ratio, rate of growth of income, real per capita income, adjusted ex ante interest rate and lagged savings ratio were exogenous variables. The result of their methodology- multiple regression- showed that all variables except the lagged savings ratio were insignificant including ex ante real interest rate. What the findings showed was that their ex-ante interest rate had no significant impact on private savings. The work also sought to determine the applicability of the McKinnon and Shaw's model of financial intermediation and found that financial liberalization is supported rather weakly by Nigeria's data.

Osundina and Osundina (2015) worked on the capital accumulation, savings and economic growth of a nation-evidence from Nigeria" sought to address the problem of low savings and capital accumulation as it concerns economic growth. Data covering a span of thirty- three years was used for its scope (1980-2012). Multiple regression analysis was adopted and the variables in the model were: gross national savings, savings deposit rate, real gross domestic product gross fixed capital formation and inflation. In the findings, it was found that a percentage change in real gross domestic product would account for a 22% change in savings and the relationship was positive. It was recommended that attention be paid to sociocultural and economic shocks to create an environment where savings and investment can thrive to enhance economic growth.

Udude (2015) in his research article titled "impact of interest rate on savings on the Nigeria's economy adopted the VAR methodology using data covering the scope of 1981-2013. Variables in the model included gross domestic product (GDP) and interest rate as exogenous while savings was the regressand. It was found that there existed a positive

relationship between savings and economic growth and that for every 1% increase in national income, savings rose by 0.04%. The CBN, according to the researcher should therefore adopt an interest rate policy that would encourage savings in the real sector. Temidayo &Taiwo (2011) using data from 1970 to 2006 and adopting the descriptive statistics as their methodology found their research article titled "descriptive analysis of savings and growth" that the difficulty with the Nigerian economy is one not of domestic capital mobilisation but of intervention. Hence, they recommended that government should adopt policies that ensure an intermediation between savings and investment in the economy by providing regulatory and coordinating functions. Gross domestic product, investments and savings were the variables used in their analysis.

Okere and Ngbudu (2015) researched on the macroeconomic variables and savings mobilisation in Nigeria" used data from 1993-2012 to analyse their effects. Secondary data were obtained from the CBN and include the following domestic savings, inflation rate, deposit rate, naira/Dollar exchange rate, and number of bank branches, per capita income and financial deepening variable. The analysis was conducted using linear regression based on the Ordinary Least Squares. It was found from the estimated results that there is a strong, positive relationship between the selected exogenous macroeconomic variables and domestic savings. The following recommendations were reached; namely: efforts should be directed toward a well-articulated fiscal and monetary policy; government should ensure adequate macroeconomic policies that will promote foreign direct investment and measures should be pushed to encourage banks to open branches in rural areas to mop up deposits.

Okwori, Sule and Abu (2016) studied the multiplier effect of consumption function on aggregate demand in Nigeria: aftermath of the global financial recession" found that the Nigerian economy fared better post the global financial recession and that consumption, investment, government expenditure and balance of trade contributed positively to economic growth. The multiplier was found to be 0.68 and accounted for a N3.30 increase in income for every N1.0 in investment. They adopted OLS methodology using data covering the scope of 2009-2014. They recommended government respond to shortcomings in investment by implementing demand management policies through fiscal and monetary policies and a need for regular intervention to address market imperfections and slow adjustments which could impede the multiplier

3.0 Materials and Methods

3.1 Research Design, Data and Sources

The study adopted the ex-post facto research design. The study evaluated the impact of financial savings mobilization on economic growth in Nigeria. The study evaluated impact of fiscal policies on the Nigerian economy. The study used archival data whose manifestations have already occurred and the researcher cannot manipulate the outcome. The study scope is 1981– 2020 and data were sourced from the statistical bulletin of the Central Bank of Nigeria 2020. The independent variables; financial savings mobilization (FSM) and private sector credit were regressed against dependent variable Economic Growth proxied by GDP growth.

3.2 Model Specification

The mathematical model for the study can be stated as follows:

GDP = f (FS, PC, INT) (3.1)

Where:
GDP = Gross Domestic Products;
FS = ratio of financial savings to GDP;
PC = ratio of private sector credit to GDP;
INF = annual inflation rate.

In this study, equation 3.1 will be modified to suit this work, to have the following functional equation below;

$$\text{RGDP} = f(FSM, CPS, INT) \quad (3.2)$$

here;

RGDP	=	Real Gross Domestic Product.
FSM	=	Ratio of Financial Savings Mobilization
CPS	=	Ratio of Credit to Private Sector
INT	=	Interest Rate

However, the econometric model of the equation 3.2 is specifying as:

$$\text{RGDP} = \beta_0 + \beta_1 FSM + \beta_2 CPS + \beta_3 INT + \varepsilon_t \quad (3.3)$$

Where;
β_0 is the intercept and $\beta_1 - \beta_3$ represents the coefficient or the regression parameters used in determining the Significance of the effect of each of the independent variables on the dependent variable, while ε_t is the error term.
Thus, the ARDL model is specified as:

$$\begin{aligned}\Delta RGDP = {} & \delta_0 + \sum_{t=1}^{a} \sigma_1 \Delta RGDP_{t-i} + \sum_{t=0}^{b} \partial_i \Delta CPS_{t-i} + \sum_{t=0}^{e} \varpi_i \Delta FSM_{t-i} \\ & + \sum_{t=0}^{f} \varphi_i \Delta INT_{t-0} + \sum_{t=1}^{a} \lambda_1 RGDP_{t-1} + \sum_{t=0}^{b} \lambda_2 CPS_{t-i} + \sum_{t=0}^{e} \lambda_3 FSM_{t-i} \\ & + \sum_{t=0}^{f} \lambda_4 INT_{t-0} + \lambda_5 ECM_{t-1} + \varepsilon_t \end{aligned} \quad (3.4)$$

Where; ECM is the error correction mechanism.

4.0 Data Analysis and Discussions

4.1 Descriptive Statistics

The mean measures the average value of the series. It is obtained by adding up the values of the series in the current sample and dividing by the number of observations.

As can be observed the mean, standard deviation as well as the skewness, kurtosis and Jarque-Bera measures of our variables of interest are given. The mean values of RGDP, CPS, FSM and INT are 33823.65, 5207.026, 8.901000 and 17.05425 respectively while their respective standard deviations are 20716.43, 7936.473, 3.958604 and 5.307990. The results

show that FSM and INT had the lowest or least mean and variability (standard deviation) while RGDP had the highest or largest mean and variability (standard deviation).

Lastly, the Jarque-Bera statistic values shows that CPS, FSM and INT are normally distributed since the Jarque-Bera normality test is less than 0.05 percent level of significance while RGDP are not normally distributed since the Jarque-Bera normality test is greater than 0.05 percent. This result is supported by the skewness and kurtosis statistics for the series.

Table 1: Summary of Descriptive Statistics Result

	RGDP	CPS	FSM	INT
Mean	33823.65	5207.026	8.901000	17.05425
Median	23068.85	480.7700	8.705000	17.38000
Maximum	71387.83	24922.94	23.25000	29.80000
Minimum	0.000000	0.000000	0.000000	0.000000
Std. Dev.	20716.43	7936.473	3.958604	5.307990
Skewness	0.617251	1.301192	1.036202	-0.518090
Kurtosis	1.968834	3.158316	6.089641	4.906118
Jarque-Bera	4.312164	11.32912	23.06790	7.844926
Probability	0.115778	0.003467	0.000010	0.019792
Sum	1352946.	208281.0	356.0400	682.1700
Sum Sq. Dev.	1.67E+10	2.46E+09	611.1514	1098.816
Observations	40	40	40	40

Source: Computed by Author, 2021

4. 2 Unit Root Test Result

The ADF unit root test results as reported in table 2 shows that RGDP is stationary at second difference; FSM and INT were stationary at first difference while CPS was stationary at both level and first difference. This means that RGDP, FSM, INT and CPS have mean, variance and covariance that are not constant overtime. However, after at level, each of these time series variables tested became stationary. The implication of the unit root test results is that RGDP is integrated of order zero, I (0), FSM and INT are integrated of order one, i.e., I (1) while CPS are both integrated of order zero and one; I (0) (1).

Table 2: Results of Unit-Root Test

Augmented Dickey-Fuller Test				
	@ Levels		**@ 1st Difference**	
Variable	Critical Value	Test Stat	Test Stat	Remark
RGDP	-2.948404	-0.002185	-5.265124**	I(1)
CPS	-2.963972	-20.94325**	-9.717201**	I(0)
FSM	-2.941145	-2.333619	-5.462401**	I(1)
INT	-2.941145	-2.546554	-7.816262**	I(1)

Source: E-View Results Output, 2021.

Note: ** Indicates the rejection of the null hypothesis of existence of unit root at 5% significance level. Lags are selected based on Schwarz Information Criteria (SIC).

4.3 ARDL Bound Cointegration Test Result

The result of the ARDL bound test for the presence of long-run relationship between the variables is reported in table 4. 6, Since this study employed annual data, the study follows the tradition of Narayan and Smyth (2005) and set the maximum lags in the ARDL model to 2 ($i_{max} = 2$). The estimated model of the ARDL-bound test is based on minimizing the Schwartz Information Criterion (SIC). The bound *F*-test for Cointegration test yields evidence of a long-run relationship between the concerned variables. The computed *F* statistic ($F_C = 10.29849$) is greater than the upper bound at 5% critical value resulting in the rejection of the null hypothesis of no long-run relationship between the estimated variables. This evidence implies that a long-run relationship exists between the variables and rules out the possibility of estimated relationship being spurious.

Table 3: ARDL Bound Test Result for Cointegration

Test Statistic	Value	K
F-statistic	10.29849	3
Critical Value Bounds		
Significance	I0 Bound	I1 Bound
10%	2.26	3.35
5%	2.62	3.79
2.5%	2.96	4.18
1%	3.41	4.68

Source: Source: E-View Results Output, 2021.

Note: The lag length was selected based on the Schwartz Information Criterion. K is the number of regressors.

4.4 Regression Results for the Short-run and Long-run Models

In line with economic theory ratio of financial savings mobilization (FSM), ratio of credit to private sector (CPS), are expected to have a positive relationship with the economic growth (RGDP) while interest rate is expected to have negative relationship with economic growth (RGDP) in Nigeria.

The results indicated that the coefficients of all the signs in the variables agreed with the *a priori* expectation stated except for ratio of financial savings mobilization (FSM) and interest rate (INT) in the short-run. From the result, credit to private sector (CPS) has positive relationship with economic growth (RGDP) in Nigeria except ratio of financial savings mobilization (FSM) and interest rate (INT) that have negative relationship with economic growth (RGDP). Specifically, by holding FSM and INT variables constant, a unit increase in

credit to private sector (CPS) will lead to about 0.84 units increase in economic growth (RGDP). Holding CPS and INT variables constant, a percentage increase in the ratio of financial savings mobilization (FSM) will lead to about 147.92 percent decrease in economic growth (RGDP). Lastly, holding CPS, and FSM variables constant, a percentage increase in interest rate (INT) will lead to about 41.2 percent increase on economic growth in Nigeria.

Returning to the long-run analysis, a unit increase in credit to private sector (CPS) will lead to about -0.535645 units decrease in economic growth (RGDP). Holding CPS and INT variables constant, a percentage increase in the ratio of financial savings mobilization (FSM) will lead to about -746.804180 units decrease in economic growth (RGDP). Lastly, holding CPS, and FSM variables constant, a percentage increase in interest rate (INT) will lead to about 207.817650 percent increase on economic growth in Nigeria.

Table 6: Short-run and Long-run Coefficients from the ARDL Model

Cointegrating Form

Variable	Coefficient	Std. Error	t-Statistic	Prob.
D (RGDP (-1))	1.369021	0.290132	4.718608	0.0001
D(CPS)	0.838552	0.468719	1.789028	0.0853
D(FSM)	-147.929192	115.499177	-1.280781	0.2116
D(INT)	41.165138	61.307100	0.671458	0.5079
CointEq (-1)	-0.198083	0.077041	-2.571131	0.0162

Cointeq = RGDP - (-0.5356*CPS + 1.9608*FSM + 207.8177*INT + 18729.1652)

Long Run Coefficients

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CPS	-0.535645	2.101705	-0.254862	0.8008
FSM	-746.804180	634.002884	-1.177919	0.2495
INT	207.817650	309.685553	0.671060	0.5081
C	18729.1652 16	8131.042844	2.303415	0.0295

Diagnostics	Stat	P-value
$\chi^2 RESET$	1.174655	0.2888
$\chi^2 SERIAL$	1.923834	0.1679
$\chi^2 ARCH$	2.108953	0.0576
$\chi^2 NORMAL$	0.912673	0.6336

The coefficient of determination R^2squared value 0.995937 showed that 99.6% variation in economic growth (RGDP) was caused by variation in financial determination.

Using the Durbin-Watson statistic which i**s** value was 2.413640, with a p-value of 0.00000 which is less than the 5% level of significance adopted. it was also found that there was no autocorrelation among the variables. Furthermore, the diagnostic checks on the estimated model showed that the estimated ARDL was well-specified and normally distributed with the absence of serial or autocorrelation and Heteroscedasticity problems. This shows that empirical findings are not spurious.

As shown in table 4, the estimated linear ARDL model was correctly specified. This implies that the null cannot be rejected since the p-values of the F-statistic (0.2888) were found to be greater than 0.05.

The Breusch-Godfrey serial correlation LM is based on two statistics labelled "F-statistic" and "Obs*R-squared" statistic. From table 4.7, it can be observed that both statistics for the LM test failed to reject the hypothesis of no serial correlation up to lag order 2 since the probability values of the F- statistics (0.1679 and 0.0724) are individually greater than 0.05 (i.e., 5% level of significance). The results indicate absence of serial correlation problem in the estimated ARDL model.

Again, the homoscedasticity assumption must be satisfied for the regression results to be valid. Therefore, testing for the presence of heteroscedasticity in a linear regression model is inevitable. Here, the study employed Breusch-Pagan-Godfrey heteroscedasticity test. The null hypothesis of the test is that the variance of the error term is homoscedastic. The Breusch-Pagan-Godfrey heteroscedasticity test is also based on two statistics labeled "F-statistic" and "Obs*R-squared" statistic. A glance at table 4.7 revealed that the null hypothesis of homoscedastic variance of the error term cannot be rejected since the probability values of the F- test statistics (0.0576 and 0.0835) are individually greater than 0.05 (i.e., 5% level of significance). The study therefore rejects the null hypothesis and concludes that; there is a presence of homoscedasticity since the value fall within (0.1 to 0.9). Finally, the Jarque-Bera statistic shows that the error term is normally distributed since the result revealed that the JB probability value of (0.633601) is greater than 0.05 percent level of significance.

From the error correction mechanism result in table 2, the coefficient of the loading factor (error correction term i.e., ECT) is correctly signed and statistically significant at 5% level of significance. It implies that an error correction mechanism exists so that the deviation from short run to the long-run equilibrium will have a significant impact on economic growth (Proxied as RGDP) in Nigeria. The value of --0.198 implies that 19.8% of the disequilibria in RGDP of the previous year's shocks adjust back to the long-run equilibrium in the current period. It also implies that adjustment to long-run equilibrium of real gross domestic product (RGDP) is moderate.

5.1 Conclusion

The study empirically examined the impact of financial savings mobilization on the economic growth of Nigeria, based on evidence obtained from the period of study, it was found conclusively that: There is a significant and positive relationship between financial savings mobilization FSM and Economic Growth (EG) measured using Gross Domestic Product (GDP) from 1981 to 2020. Findings, from the Autoregressive distributed lag (ARDL) model estimation results revealed that Credit to Private Sector and Interest rate exerted a relatively stronger influence on economic growth in the Nigerian economy when compared with ratio of financial savings mobilization (FSM).

5.2 Recommendations

i. There should be a reduction in lending rate associated with the size of credit, increased volume of credit to the private sector, sustenance of on-going reforms such as bank consolidation policy and capital market reform. Also evolving measures to boost deposit mobilization which would spur investment and engender growth in the Nigerian economy should look upon.
ii. The monetary authorities should use their credit guidelines to direct or mandate banks to channel their financial mobilized savings to priority sectors of the economy such as agriculture and manufacturing.
iii. The interest rate policy should be in a way to stimulate savings through high yield deposit rate and lending rate so as to deepen our financial sectors efficiency in helping both the agricultural and manufacturing investors.

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