

FINANCIAL LIBERALISATION AND SAVINGS IN THE ANGLOPHONE WEST  
AFRICAN COUNTRIES

<sup>1</sup>ECHEBIRI, RAYMOND CHIDOROM,

<sup>2</sup>TOCHUKWU OBIAKOR,

<sup>3</sup>SHERIFFDEEN TELLA

Department of Economics, Babcock University, Nigeria.

Email: [rayechebiri@yahoo.com](mailto:rayechebiri@yahoo.com)

**Abstract**

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*The rate of savings in the Anglophone West African countries has been low over the years, resulting in their slow economic growth. Despite several efforts to stimulate savings, rate of savings still remained low in absolute and comparative terms in the countries. The study investigated the effect of financial liberalisation [gross domestic product (GDP), broad money supply (BMS) and deposit interest rate (DPR)] on gross domestic savings (GDS) in the Anglophone West African countries. The study adopted ex-post facto design, and annual data from 1996 to 2020 on the five Anglophone West African countries was sourced from World Development Indicators (WDI, 2020). Data was analyzed using Feasible Generalised Least Squares (FGLS) estimation technique. The study adopted the 5% level of significance. Findings of the study revealed that GDP and DPR had positive and significant effect on gross domestic savings in the Anglophone West African countries. This supports theoretical and empirical literature which posit that increase in income and interest rate induces more savings and vice versa. On the other hand, BMS had negative and insignificant effect on gross domestic savings. This finding controverts theoretical literature which holds that increase in money supply stimulates savings, but supports some empirical studies which posit that increase in money supply leads to reduction in savings. The study recommended that policy makers in the Anglophone West African countries should adopt and implement policies, programmes and projects that can contribute to rapid economic growth and ensure that the real deposit rate is positive at all times in order to stimulate savings in their domain. Key Words: Anglophone West African countries, Gross domestic product, Gross domestic savings, financial liberalisation, generalised least squares*  
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**Introduction**

Savings plays a significant role in the economic growth process. The preeminence of savings in the growth process springs from its direct impact on capital accumulation and investment, which is a major driver of economic growth. Savings rate in the Anglophone West African countries (The Gambia, Ghana, Liberia, Nigeria and Sierra Leone) has remained abysmally low over the years even though these countries had adopted and implemented financial liberalization policies, which had been theoretically and empirically established to be positively correlated with savings. According to World Development Indicators (2018), savings rate in the Anglophone West African countries over a period of 60 years (1960-2018) has remained low in absolute and comparative terms: Liberia's gross domestic savings as percentage of gross domestic product (GDP) is -39 per cent; Sierra Leone's is -4.0 per cent; The Gambia's is 16 per cent, Ghana's is 25 per cent, and Nigeria's is 23 per cent.

The low savings rate in the Anglophone West African countries has had adverse effect on their per capita GDP growth. According to World Development Indicators (2018), from the period

1960 to 2018, Ghana could only muster an average per capita GDP growth of 0.87 per cent, Liberia recorded average per capita GDP growth of -2.27 per cent, Nigeria reported average per capita GDP growth of 0.97 per cent, Sierra Leone's average per capita GDP growth was a paltry 0.34 per cent, while The Gambia's per capita GDP grew by 1.78 per cent on average for the period 1976-2010. In sharp contrast, countries in the East Asia and the Pacific regions which have been recording high savings rate have also been reporting impressive per capita GDP growth over the years. According to World Development Indicators (2018), East Asia and Pacific region's savings as percentage of GDP for the period 1960-2018 was 41 per cent on average, with a corresponding GDP per capita growth rate of 3.65 per cent.

The low savings rate recorded by the Anglophone West African countries may persist if the appropriate policies are not put in place to encourage households and corporate organisations to save. Ameliorating the low savings rate in the bloc requires determining how some factors influence savings in the sub-region. It is against this background that the study set out to investigate the effect of financial liberalisation on savings in the sub-region. Incidentally, there is dearth of studies on determinant of savings in the bloc.

The study is divided into five sections: introduction, which dwells on the background to the study; section two deals with literature review and theoretical framework; section three focuses on the methodology; section four centres on the estimation and analysis of results, while section five focuses on summary and conclusion.

### **Literature Review**

We begin with Udude (2015) which investigated the impact of interest rate and income on savings in Nigeria from 1981-2013 using Vector Auto Regressive (VAR) technique. The result of the study shows that changes in savings deposit rate and income (proxied by Gross Domestic Product) influence savings in Nigeria. Specifically, the result of the study shows that 99.7 per cent of the variations in national savings in Nigeria are explained by changes in interest rate on savings deposit and income. The result, therefore, support both the Keynesian and Neoclassical theories of savings: positive relationship between savings and income, and positive relationship between savings and interest rate, respectively.

Otiwu, Okere and Uzowuru (2015) evaluated the relationship between savings (as dependent variable) and Per Capita Income, Inflation, Bank Deposit Rate, Financial Deepening (proxied by ratio of broad money supply to GDP) and Financial Inclusion, in Nigeria from 1981-2015, and tested the hypotheses using Vector Error Correction Model (VECM). The result of the study shows the goodness of fit to be high with an F-statistic of 14.38027, while  $R^2$  is 0.782376 or 78.23 per cent. This implies that about 78.23 per cent of the total variations in private domestic saving in Nigeria during the period under study are explained by changes in Per Capita Income, Inflation, Bank Deposit Rate, Financial Deepening and Financial Inclusion.

The parameters of the explanatory variable of the model show that financial inclusion and per capita income are positively correlated with savings in Nigeria, and a 1.0 per cent increase in per capita income results in 38 per cent increase in savings, while 1.0 per cent increase in financial inclusion causes 143 per cent increase in savings in Nigeria. The study however found that deposit rate, financial deepening and inflation rate do not significantly affect private domestic savings in Nigeria.

Boadi, Li and Lartey (2015) examined the effect of interest rate liberalisation on bank deposits in Ghana. The study specified savings deposit function model with savings deposit as dependent variable, and real savings rate, real treasury bill rate, real exchange rate and gross domestic product as explanatory variables. It used Ordinary Least Squares (OLS) to estimate the

specified model which covered seasonally adjusted data sourced from Bank of Ghana and Ghana Statistical Office. The results of the study showed that interest rate liberalisation and GDP jointly explained 78 per cent of the variation in bank deposits in Ghana. This suggests that the liberalisation of interest rates made it attractive for people with idle funds to save with the banks in the country. However, the results of the study showed a negative relationship between savings and real treasury bill rate, especially in a period of high inflation.

Abu (2015) examined the impact of corruption and political instability on savings in the Economic Community of West African States (ECOWAS) using two different estimation techniques, Panel Corrected Standard Error (PCSE) and Two Stage Least Squares (TSLS) instrumental variables. The study which covered the period 1996 to 2012 found that less corruption and political stability exert positive and significant impact on savings in ECOWAS countries. The study also found that income growth, real interest rate, and inflation rate have positive and significant effect on savings in the sub-region. The result of the study, however, show that the percentage share of agriculture in GDP is negatively correlated with savings in ECOWAS countries.

For the period 1980-2015, Ozioma, Idenyi and Udude (2016) investigated the factors that influence private domestic savings in Nigeria using the following econometric techniques: co-integration test, vector error correction model, and granger causality test. The study specified a model with domestic private savings as a function of GDP per capita, household consumption, nominal interest rate, and domestic lending to the private sector. The following results were found: interest rate has a positive and significant relationship with domestic private savings in the long-run in Nigeria, but insignificant impact on domestic private savings in the short-run; income has a negative and significant effect on domestic private savings in the short-run, but has an insignificant effect on savings in the long-run; domestic private sector lending has significant positive impact on domestic private savings in Nigeria; a unidirectional correlation between GDP per capita, domestic credit to the private sector as a percentage of GDP, and domestic private savings; a bidirectional causation between household consumption and domestic private savings.

Blanc et al (2016) studied savings motives and household savings behaviour in 15 Euro-area countries using first wave of the Household Finance and Consumption Survey. The survey collected detailed information on wealth holdings, consumption, and income in the 15 Euro-area countries for the period 2008–2011. The study found that most people in the Euro-area countries saved for precautionary reasons. This finding is in line with the Buffer-Stock Savings theory. It also found saving for old age as another motive that governed the saving behaviour of many people in the area, and this is in conformity with the Life-Cycle Hypothesis.

Aizenman et al (2017) analyzed the determinants of savings using data from 135 countries (23 developed and 113 developing) for the period 1995-2014. The study which employed system generalized method of moments (GMM) estimation method in its analysis found that real interest rate has significant and positive effect on savings. However, the study found that the effect of interest rate on savings depends on the economic environment or condition. According to the study, output volatility, a well-developed financial market, and aging population can make the relationship between savings and interest rate to be negative.

Guin (2017) found culture to be a major determinant of savings in Switzerland. Analysing the role of culture in household saving decisions by exploiting the historical language borders within Switzerland, and isolating the effect of exposure of the household to certain language groups from economic, institutional, demographic and geographic factors for a homogeneous and representative sample of households, Guin (2017) found that low- and middle-income households

located in the German-speaking part of Switzerland are more than 11 percentage points more likely to save than their counterparts in the French-speaking part. In other words, exposure to specific language groups with the associated culture, affects the ability and decision of households to save or to save in a voluntary retirement account. The study which used stylized spatial regression discontinuity design which enabled it to isolate cultural differences of a representative sample of the population from differences in economic conditions such as business cycle, interest rates, inflation, pension system, education system and access to financial services, was based on data from Swiss Household Panel. The data was complemented with information on language regions and further regional information about Switzerland such as the number of bank branches at the ZIP code level, population per municipality, and unemployment rates at the district level.

Khan, et al (2017) investigated the factors that influence the rate of domestic savings in Pakistan, China, Singapore, Japan, Turkey and Russia for the period 1995-2016 using descriptive statistics, correlation matrix and fixed effects model. The results of the study show that age dependency ratio, money supply growth, gross domestic product and per capita income have statistically significant effect on the gross domestic saving in these countries, while foreign direct investment and inflation have insignificant effect on gross domestic savings. The results of the study also show that while gross domestic product, money supply growth and per capita income are positively correlated with savings in the six countries which are an admixture of developed, emerging and developing economies, foreign direct investment, age dependency ratio and inflation, are negatively correlated with gross domestic savings in the countries.

Using multiple regression model, Mojekwu and Ogbolu (2017) investigated the determinants of savings in Nigeria for the period 1981-2015. The model of the study has national savings as the dependent variable while gross domestic product, savings deposit rate, inflation rate, budget deficit financing, age dependency ratio and financial deepening are the independent variables. The study found financial deepening to be the only variable that had positive and significant effect on savings in Nigeria during the period of the study. According to the study, gross domestic product, savings deposit rate, inflation rate budget deficit financing and age dependency ratio exerted insignificant influence on savings in Nigeria for the period 1981-2015.

Mendy (2018) investigated the factors that influence national savings in The Gambia using time series data for the period 1981-2014. The study employed Autoregressive Distributed Lag (ARDL) model for the analysis of the time series data. The results of the study show a long-run relationship between national savings and economic growth, debt, inflation, real interest rate, financial development, foreign aid, remittances, trade and dependency ratio.

Baidoo et al (2018) employed primary data and the binary probit regression model to investigate the effect of financial literacy on savings in Ghana. The study found that financial literacy influences savings in Ghana. This suggests that financial literacy has a positive impact on savings in Ghana.

Ahmad and Premaratna (2019) examined the effect of financial liberalisation on savings in Nigeria using Two-Stage Least Squares (2SLS) instrumental variable technique. The result of the study showed financial liberalisation which was a part of the Structural Adjustment Programme (SAP) had a positive effect on financial sector development because it led to the deepening of the banking industry. Though the study established that financial liberalisation resulted in higher interest rate in Nigeria, it found that the interest rate did not have positive and significant effect on savings in the country. This finding is contrary to the McKinnon and Shaw financial repression hypothesis which posited that financial liberalisation leads to higher interest rate, which, in turn, results in an increase in the level of savings.

In a study to determine how financial liberalization, savings mobilization and investment relate and the impact of the relationship on economic growth in Liberia, Sowah and Kirikkakeli (2020) found that savings deposit rate has immense impact on savings mobilization, gross investment, and the overall economic growth in Liberia. This implies that financial repression adversely affects savings mobilization, aggregate private investment, and economic growth in Liberia.

Fuchs-Schundeln et al (2020) analysed the effect of culture on saving behaviour in Germany and the United Kingdom. They carried out the analysis by correlating the saving behaviour of second-generation immigrants in Germany and the United Kingdom to cultural attitudes that should influence savings decisions in the country of their ancestors. They found culture to be a major driver of saving behaviour. This corroborates Guin (2017) which also found culture to be a major determinant of savings. According to Fuchs-Schundeln et al (2020), second-generation immigrants from countries that place strong emphasis on thrift or wealth accumulation have the tendency to save more. By linking parents to their children, they showed that two cultural components, attitude towards thrift and the importance assigned to wealth accumulation, affect the saving behaviour of both first-generation immigrants and their children.

Using cross-country European longitudinal household dataset, Scervini and Trucchi (2021) examined the effect of income uncertainty of younger generations on the saving behaviour of their parents in Europe. The study found that income uncertainty of younger generations significantly and positively affects saving behaviour of parents in Europe. This finding is consistent with inter-generational precautionary savings.

Ariç and Sek (2021) examined the determinants of savings in developed and developing European countries using Augmented Mean Group (AMG) estimator. The study compared two panel groups, developed and developing European countries, to see how economic development can affect the saving behaviour. The results of the study shows that government expenditure has negative effect on savings in both groups of countries, but with larger effect on the developed European countries. The results of the study also show that GDP contributes to higher savings in both the developed and developing European countries, and inflation also leads to higher saving but with greater effect on the developed group than on the developing group, while age dependency ratio is not influential in the developed group but affects savings negatively in the developing group.

Fredriksson and Staal (2021) analysed the determinants of savings using a panel data from 14 Organisation of Economic Co-operation and Development (OECD) countries. The study which used fixed-effects least-squares and two-stage least-squares estimation techniques found that unanticipated income and unanticipated inflation have positive effect on savings. The study also found that income uncertainty has a positive effect on savings. This is in agreement with the postulation of Buffer-Stock Savings hypothesis. However, the study did not find any evidence to support the postulation of McKinnon-Shaw Financial Repression Hypothesis that interest rate has positive effect on savings.

### **Theoretical Framework and Model Specification**

The theoretical proposition of the study is that savings in the Anglophone West African countries depends on financial liberalisation. This study is based on financial liberalisation model by McKinnon (1973) and Shaw (1973). The model argued that nominal interest rates which are administratively determined would hold real interest rates below their equilibrium level. This according to McKinnon and Shaw (1973) is financially repressing. The model explained that real interest rates at each rate of economic growth are assumed to be positively related to savings. The

theory focuses on demand for real money and investment response to different rates of return. Since the McKinnon theory assumes these two as the only forms of asset held by private sector, then the McKinnon model can be summarized as follows:

$$M/P = l(y, d - \pi^e, I_p/Y) \tag{1}$$

$$I_p/Y = l(y, d - \pi^e, I_g/Y) \tag{2}$$

Equation 1 represents the long-run real money balances demand function where real income  $y$  is the scale variable. The opportunity cost variable represented by  $d - \pi^e$  is real interest rate, while private sector investment to gross domestic product (GDP) ratio represented by  $I_p/Y$  is the argument. Equation 2 on the other hand is a private sector investment function which depends on real interest rate, real income and public sector investment to GDP ratio ( $I_g/Y$ ). Theory postulated under equilibrium condition that the ratio of actual investment to income ( $I/Y$ ) must correspond to existing savings in the economy, thus:

$$I_p/Y = S/Y = f(d - \pi^e, I_g/Y) \tag{3}$$

where  $S/Y$  is the actual savings to income ratio.

Since real deposit rate is below equilibrium under a financially repressed financial system, there is therefore a positive relationship between savings and the real deposit rate ( $d - \pi^e$ ). This is because a rise in interest rate towards equilibrium induces economic agents to shift from other assets to savings. In order therefore to get the relationship between savings and growth in the demand for real money balances equations 1 and 3 are differentiated with respect to arguments and then dividing their differentials:

$$\frac{d[M/P]}{d[S/Y]} = \frac{d[M/P]/d(\cdot)}{d[S/Y]/d(\cdot)} \tag{4}$$

Equation 4 states that there is a positive relationship between savings rate and the demand for real money balances. The complementarity hypothesis holds true on the assumption that investment opportunity are plentiful and that the binding constraint is the supply of savings and not the demand for investable funds (Nyagetera, 1997). Thus savings rate can be incorporated as one of the determinants of demand for real money balances:

$$M/P = l(y, S/Y, d - \pi^e, I_p/Y) \tag{5}$$

Equation 4 and equation 5 exhibit a case where there is disequilibrium in the money market; that is supply of loanable funds is exceeded by its demand. Thus in the model a rise in real interest rates leads to an increase in savings and also growth in the demand for real money, leading to an increase in savings. Since complementarity hypothesis works both ways in that the conditions of money supply have first order impact on decision to save and invest, a savings function that can be determined simultaneously with demand for real money is specified as follows:

$$S/Y = f(y, d - \pi^e, M/P, v) \tag{6}$$

where  $S/Y$  is ratio of savings to income,  $y$  is real income,  $d - \pi^e$  is real deposit rate,  $M/P$  is money supply, and  $v$  is a vector representing further explanatory variables. The model is specified based on equation. 6:

$$S/Y = f(y, d - \pi^e, M/P, v)$$

where  $S/Y$  is ratio of savings to income,  $y$  is real income,  $d - \pi^e$  is real deposit rate,  $M/P$  is money supply, and  $v$  is a vector representing further explanatory variables. Substituting the variables of financial liberalisation yields the functional relationship:

$$GDS_{it} = f(GDP_{it}, DPR_{it}, BMS_{it}) \tag{7}$$

where  $GDS$  is gross domestic product,  $DPR$  is deposit rate,  $BMS$  is broad money supply,  $i = 1, 2, 3, \dots, N$ ;  $t = 1, 2, 3$ .

Consequently, the model to be estimated is specified thus:

$$GDS_{it} = \alpha_0 + \alpha_1 GDP_{it} + \alpha_2 DPR_{it} + \alpha_3 BMS_{it} + \mu_{it} \quad 8$$

where  $i = 1, 2, 3, \dots, N$ ;  $t = 1, 2, 3, \dots, T$ ; GDS is gross domestic savings, GDP is gross domestic product, DPR is deposit rate, BMS is broad money supply,  $\alpha_1 \dots \alpha_3$  are parameters to be estimated, and  $\mu$  is the error term.

### Estimation Results

Table 1.1 shows the estimation results

**Table 1.1:** Financial liberalisation and savings in the Anglophone West African countries.

#### Dependent Variable: GDS

Variables	OLS	FEM	REM	FGLS
Constant	4.6198* (0.065)	15.5915*** (0.000)	11.9533*** (0.000)	5.0156** (0.029)
GDP	0.4970*** (0.000)	-0.0405*** (0.000)	-0.0051 (0.577)	0.0541*** (0.001)
BMS	-0.1182 (0.270)	-0.0092 (0.913)	-0.0680 (0.48)	-0.0024 (0.978)
DPR	0.5976*** (0.000)	-0.1311 (0.333)	0.1225 (0.429)	0.2722* (0.065)
Observations	125	125		125
Numbers of id	5	5		5
R-squared	0.3094	0.7247		
Adjusted R-squared	0.2923	0.7082		
F-statistic (prob)	18.070(0.000)	43.997(0.000)	1.88(0.597)	15.41(0.001)
Multicollinearity Test VIF Mean	1.10			
Pesaran CSD Test		F (5,103) = -2.037 Prob > F = 0.042		
FE Testparm		F(3, 117) = 7.90 Prob > F = 0.000	-	-
Breusch-Pagan LM Test		-	Chibar <sup>2</sup> (01) = 41.98 Prob > chibar <sup>2</sup> = 0.00	-
Hausman Test		-	Chi <sup>2</sup> (3) = -183.3 Prob > chi <sup>2</sup> < 0	-
Modified Wald test for Heteroskedasticity		Chi <sup>2</sup> (5) = 11.91 Prob > chi <sup>2</sup> = 0.036	-	-
Wooldridge test for Autocorrelation		F(1, 4) = 0.142 Prob > F = 0.725	-	AR (0.66)

*Probability values in parentheses while \*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$  indicate one percent, five percent and ten percent significant levels, respectively.*

**Source:** Author's computation (2023) from STATA 15.

Due to the presence of cross-sectional dependence in the data and heteroskedasticity in the model, Feasible Generalised Least Squares (FGLS) was used as the estimation technique because it can check these econometric problems (Reed & Yu, 2011).

The estimated FGLS model is indicated:

$$GDS_{it} = 5.016 + 0.053GDP_{it} - 0.002BMS_{it} + 0.272DPR_{it} + \varepsilon_{it} \quad 9$$

Equation 9 shows that GDP and DPR have a positive relationship with the dependent variable, GDS, while BMS was negatively associated with GDS. This means that savings will increase as GDP and DPR increase and vice versa. From equation 9, as the countries' gross domestic product (GDP) increases by 1 per cent, it brings about a 0.05 per cent increase in savings. Furthermore, the positive association between GDP and GDS is statistically significant as shown in Table 1.1 as the probability value of 0.001 is less than the 0.05 significant threshold for this study. There is also evidence of positive relationship between deposit rate (DPR) and gross domestic savings (GDS) in these countries. This implies that as the deposit rate increases by 1 percent, savings increases by 0.272 per cent, and this is significant at the 5% level because the *p*-value is less than the 0.05 threshold for this study.

In contrast, as shown in equation 1.1, broad money supply has a negative effect on gross domestic savings in the Anglophone West African countries, suggesting that as broad money supply increases in these countries, it discourages savings. However, the negative influence of BMS on GDS was not statistically significant at 5%, as the *p*-value of 0.978 is greater than the significant level threshold for this study.

These results are not totally in tune with *a priori* expectations. The sign of the parameters of GDP and DPR are positive as expected, but the sign of the parameter of broad money supply is negative, which is against the *a priori* expectation of positive sign. However, this is in tandem with the result of Aric (2015).

From Table 1.1, F-Statistic of 15.41 with a probability value of 0.001 is significant at the 5 per cent level, implying that financial liberalisation has significant effect on savings in the Anglophone West African countries. Therefore, financial liberalisation influences savings in the Anglophone West African countries.

This finding is in tandem with theoretical literature which indicate a positive impact of financial sector liberalization on savings (McKinnon & Shaw, 1973; Modigliani & Brumberg, 1954.). It is also in tune with some empirical studies on financial liberalisation and savings (Bandiera et al, 2000, etc.).

### Summary of Findings

The study investigated the effect of financial liberalisation on savings in the Anglophone West African countries (The Gambia, Ghana, Liberia, Nigeria and Sierra Leone). Financial liberalisation was considered as integral and essential part of the comprehensive policy measures aimed at boosting gross domestic savings in the Anglophone West African countries, especially with regard to the overall objective of achieving fast-paced economic growth. These countries had embraced financial liberalisation especially as part of the International Monetary Fund-midwifed Structural Adjustment Programme (SAP) since the 1980s with the hope that it would help them to achieve a robust gross domestic savings and, consequently, rapid economic growth.

The behaviour of savings in the Anglophone West African countries was examined in relation to financial liberalisation as a composite variable of gross domestic product (GDP), deposit rate (DPR) and broad money supply [BMS). The effect of financial liberalisation on savings was examined by specifying and estimating a model with savings as the dependent



variable, and financial liberalisation indicated by GDP, DPR and BMS as the independent variable. The result of the estimation of the savings-financial liberalisation model showed that two indicators of financial liberalisation, GDP and DPR had significant and positive effect on GDS, while BMS, another indicator of financial liberalisation, had negative and insignificant effect on savings at the 5 per cent significant level.

The positive and significant effect of GDP on GDS means that as income increases in the Anglophone West African countries, savings also increases. This finding is in tandem with the Absolute Income Hypothesis (1936), Relative Income Hypothesis (1949), and some previous studies that examined the relationship between savings and income (Luray, 1998; Esmail, 2014; Otiwu, 2015; Udude, 2015; Onwuasoeze & Kirori, 2016; Mutasim & Omran, 2016; Moussavou, 2017; Olanipekun & Akeju, 2017; Mendy, 2018; Aizuddin & Kadir, 2019)).

In the same vein, as deposit rate increases, savings also increase in the Anglophone West African countries since deposit rate exerts positive and significant effect on savings. This supports the postulations of the McKinnon & Shaw (1973) Financial Repression Hypothesis and some previous empirical studies (Abu, 2015; Boadi 2015; Kolasa & Liberda, 2015; Khan, 2017; Sowah & Kirikkakeli, 2020; Paiva & Jahan, 2020). However, as money supply increases in the Anglophone West African countries, savings decreases because the study found that broad money supply had negative but insignificant effect on savings in these countries. This finding is in tandem with the results of some previous studies (Aric, 2015; Aizuddin & Kadir, 2019; Ihedioha et al, 2021) but is contrary to the findings of Khan (2017) which found that broad money supply has a positive and significant effect on savings. In summary, the results show that financial liberalisation influenced savings in the Anglophone West African countries.

## Conclusion

This study investigated the effect of financial liberalisation and institutions on savings in the Anglophone West African countries for the period 1996-2020 using Feasible generalized Least Squares (FGLS) and Fixed Effect (FE). Based on the findings of the study a number of conclusions can be reached:

Financial liberalisation influenced savings in the Anglophone West African countries: its indicators (gross domestic product, deposit rate and broad money supply) had impact on savings in the sub-region. GDP and DPR had positive and significant effect on savings at the 5 per cent level, while BMS had negative effect on savings, though this was not statistically significant at the 5% level as the *p*-value of 0.978 is greater than the significant level threshold for this study.

## Recommendations

Based on the findings of the study, some recommendations are made.

1. Policy makers in the Anglophone West African countries should at all times adopt and implement policies, programmes and projects that can contribute to rapid economic growth of their economies since fast-paced GDP growth has been found to be positively and significantly correlated with savings.
2. Given the negative effect of broad money supply on savings (though this is not significant) in the Anglophone West African countries as established by this study, the monetary authorities of these countries should always ensure that the money in circulation is just adequate to support the activities of various economic agents since unbridled monetary expansion can affect savings adversely.
3. The monetary authorities in the Anglophone West African countries should ensure that the real deposit rate is positive at all times because households and firms in these countries are likely

to save more when the real deposit rate is high and positive. This recommendation flows from the findings of this study and the McKinnon-Shaw financial repression hypothesis which established that high and positive real interest rate has positive and significant effect on savings.

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