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RURAL SAVING MOBILIZATIONS AND ECONOMIC DEVELOPMENT IN AKAMKPA LOCAL GOVERNMENT AREA OF CROSS RIVER STATE - NIGERIA

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ABSTRACT

This study presents an analysis of “Rural Saving Mobilizations and economic development in Akamkpa Local Government Area of Cross River State Nigeria”. The data available shows that savings mobilization plays an important role in rural development and in rural Economy like Akamkpa Local Government Area of Cross River State Nigeria. The major objectives of the study are to examine the mobilization of rural savings in Akamkpa Local Government Area of Cross River State and the factors militating against the mobilization of savings in the area. The study also assesses the roles and contributions of the formal and informal financial sectors in the mobilization of savings from the rural area. Primary and secondary data were collected from the rural households and the two major financial institutions in the area then (the Union Bank of Nigeria Plc, and the peoples Bank of Nigeria). The analysis shows that 80% of Arwi- the Cross River State College of education Community indicated a greater percentage of their awareness to save their money in the bank. It was also discovered that out of 351 workers of the State college of Education, Akamkpa, 243 or 69.23% save with the Union Bank of Nigeria, Akamkpa Branch under the salary payroll Accounts. While 108 or 30.77% save with the people Bank of Nigeria, Akamkpa branch respectively. The study also reveals that the higher the rate of interest, the greater the inducement to Savers to increase their savings and supply more funds. policy implications of the study are that the government or the monetary authority should maintain the equality of saving and investment where the market rate of interest equal to the natural rate.

Keywords: Akamkpa, Cross River State, Rural savings, Mobilization, Economic growth.

JEL Classification: D14, D31, D53, E12, E21, F65, G21, G23.

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Contribution/ Originality

This study is one of the very few empirical studies which have been conducted in Akamkpa Local Government Area of Cross River State Nigeria; on rural saving mobilizations and economic development in the area. The study's primary contribution is in the area of existing empirical literature on rural saving mobilization in Nigeria.

1. INTRODUCTION

In most developing countries domestic resources particularly savings have been identified as the bedrock of development. There is a growing consensus among majority of the third world countries that the enhancement of a virile development of this section of the world and its peoples require urgent attention. In earnest significant attention need to be accorded to the mobilization of savings in line with further integrating it into overall realm of development strategies. Such attentions would undoubtedly fructify and contribute to a reduction in credit delivery and recovering costs and to a more equitable income distribution. Besides it helps in breaking the cycle of poverty, low productivity and stagnation. Problems of underdevelopment and backwardness of the LDCs emerged out of poor planning and overall misplacement of priorities. When attention is focused on the problems or plights of the rural folks, concentration would then be on the effects rather than on the causes which often rove around social and economic change without exception to political intrigues (Bassey and Edame, 1995).

Thus the vicious cycle of low level of output, low level of income, low level of savings and low level of investment clearly indicate an urgent need for credit assistance in one of rural investment. A large chunk of domestic resources which could have been saved financially were spent on the importation of food from abroad. In 1983/84 about 8m tones of grains were imported at an exorbitant cost emanating to some 30% of Agric export earnings (Edame, 2010).

Mobilizing rural savings viewed from an individual family level accords people a measure of independence and authority over their existence on earth which otherwise would have been difficult if all incomes had been consumed. Furthermore, savings mean capital, segmenting agricultural production through the purchase or provision of adequate implements and tools.

Savings mobilization in the rural areas has become increasingly difficult despite its latent but potential volume. Savings in the LDCs have mainly taken the traditional forms and patterns; mobilization becomes difficult as they are often more than not kept in various forms. In most cases, substantial parts of total household savings remain in non-monetary (physical goods) form. These forms of saving include agric procedures; the keeping of cattle or valuables through such items as jewelries, gold for personal prestige. Channeling of these domestic resources which is not of immediate use to the rural dwellers to other areas where they could be of immense use has become a serious problem altogether as a result of lack of an effective financial intermediation in the rural areas. Continuous transfer of funds from the rural areas is explained to a large extent by

the high marginal rates of return on capital in urban areas and by the tendency of the landowners to seek investment opportunities in those areas.

The rural banking programme was initiated in 1977. It has as one of its objectives, the mobilization of savings and credits to the rural inhabitants. The programme failed to live up to its expectation. At the end of 1989, only a total number of 765 branches could be established during the three phased of the programme. Government, conscious of the deficiencies in the existing banking system and the need to further accelerate the pace of providing the desired banking services to the rural areas of the country established the people's bank in 1989 and the community Bank in 1990. The structures and operation of the banks mainly funded by the government was not encouraging. Rather, the important aspect of savings mobilization was neglected and against this backdrop that this study seeks:

- To examine the mobilization of rural savings in Akamkpa Local Government Area of cross River state.
- Determine the factors militating against the mobilization of savings in the area.
- To assess the role and contributions of the formal and informal financial sectors in the mobilization of savings in the rural area.
- Above all, examine how money siphoned from the rural areas to urban areas could be retained and utilized for developing the rural areas. In essence, utilizing the rural savings for development.

The hypotheses to be tested in this research are:

- That the interest – elasticity of gross domestic rural savings mobilization is positive but not very significant.
- That the level of disposal income (income elasticity) is positive and highly significant in determining gross domestic rural savings in Akamkpa Local Government Area of Cross River State.
- That savings is a function of income and the propensity to save of profit earners (SPE) is higher than that of wage – earners (SWE). As a result, the overall saving ratio of the community depends on the distribution of income.

2. REVIEW OF RELATED LITERATURE AND THEORETICAL FRAME WORK

Theoretically savings are depicted as that part of disposable income (y) that is not spent on current goods and services. Symbolically it is written thus:

$$S = Y - C$$

This equation implies that saving(s) is the art of abstaining from consumption for future satisfaction. This notion about saving forms the majority of consensus in the literature. [Keynes \(1936\)](#), [Bourne and Douglas \(1980\)](#) and [Edame \(2002\)](#). Savings is neither an abstention from consumption nor a residual. Savings can be seen as a normal and continuous activity, because the

definition of savings as an abstention from consumption does not in itself prescribe any minimum period over which funds must be held. Savings emanate from different sources. The two main sources known include; foreign savings and domestic saving. Foreign saving is derivable either through investment or by foreign aid of varying types. Foreign saving is therefore clearly the excess of import expenditure over export earnings.

Domestic savings on the other hand occurs from various sources which include the individual or household and corporate. Individuals' savings are generated from the difference of current consumption and current expenditure. Corporations also save. This type of savings usually comes from the difference between profits or earnings and expenditures. Savings of the rural household constitute the focus of this study. The increasing debt of the LDCs and their vowed penchant for foreign aids to even out of the debt burden calls for an increasing domestic savings mostly from the household – upgrade and increase the level of investment finance and development in the LDCs (Yusuf and Peters, 1984). Ijaiya (2002) looked at the rural bank credits and deposits mobilization in Nigeria; between 2002- 2012. According to him, the aim of setting up rural banks in Nigeria is to mobilize savings to improve rural bank credits to rural dwellers. Using the time series simple linear forecasting model, the author examines the trend of rural bank deposits and its credit outreach, he then attempts a forecast of the amount of rural bank deposits that would be needed to guarantee an increase in rural bank credits in the next 10 years (ie between 1982-2002) in Nigeria, if certain policy measures are put in place. Ijaiya (2002) concluded that rural bank deposits are powerful enough to increase rural bank credits outreach in rural areas of Nigeria. This he said is because bank deposits are major determinants of credits disbursement. Therefore, policy measures should be on how rural banks can mobilize more deposits so that they would be able to increase their credit outreach in rural Nigeria.

Achoja (2013) on the other hand, carried out a study on Dual Determinants of saving mobilization among Agribusiness Entrepreneurial groups in Edo state, Nigeria. The author emphasized that savings is crucial in the growth of Agribusiness in rural economy. The results of his study showed that interest rate, farm income and age distribution of savers significantly contributed ($P < 0.05$) to saving mobilization. Price and non-price factors are referred to as the dual determinants of saving mobilization among entrepreneurial savers in the study area. Quarshie (2011) conducted a research on mobilizing savings in Ghana in general; particular attention was given to mobilizing private savings by focusing on households. A regression analysis was adopted using data from 1966 to 2006 to determine the factors that highly influence or have contributed to the Gross Domestic Income, Gross Domestic savings and in effect savings mobilization. The major finding of the research was that rural population had a moderate positive correlation to both Gross Domestic Income (GDI) and Gross National income (GNI) per capita while urban population had a weak correlation to both GDI and GNI per capita respectively. However, urban population had a strong positive correlation to Gross Domestic Savings. Furthermore, findings revealed that credit to private sector had a strong positive correlation to

the GDI. In the same vein, credit to the private sector and inflation had a strong negative correlation to Gross Domestic Saving (GDS) meaning that increase in income or macro monetary policies does not necessarily increase savings but rather the availability of the means to save in addition to pertinent education. Also, a portion of corporate taxes from financial institutions is to be used to improve road networks and social amenities in the rural areas in order to increase the incentive for rural banking. *Abdulraheem (2000)* on the other hand, carried out a study on Rural Banking and Savings Mobilization in Nigeria, within Asa local government area of Kwara state. The result of the survey was analyzed through the use of relevant non-parametric statistics. The findings of the study revealed that the traditional saving system (Esusu or Eesu) constitutes a major impediment to the use of commercial banks in the area. The study suggests a further monetization of the rural economy so that the rural banks could assist their customers, and redirect their orientation towards the roles they can play. Finally, he concluded that the local economy will become monetized as there will be a rise in savings and current accounts balances of the rural banks, which will give rise to credit opportunities. Therefore, the borrower engages in enhanced extensive farming as well as in small-scale enterprises. This will have an effect of creating more job opportunities for the rural youths within the state and nation as a whole. Therefore, a significant reduction in rural-urban migration in search of non-existent white-collar jobs could be reasonably achieved.

2.1. Determination of Saving (S)

Considering the determinants of savings several hypothesis have been put in place by some authors. The level of income as a determinant of saving was the major idea of Keynes. His submission indicates that saving is a positive inclination towards income. That is, once there is a rise in income people tend to consume less and rather save more. No doubt this formulation is of vital importance and magnitude of most aggregate savings functions, however, its considerable explanatory power; the level of income is but one of many variables influencing on the decision to save. Obviously, since income is but one of several variables other alternative explanations must be sought. One of such hypothesis is the so called "ratchet effect". Since habit is second to nature, spending or consumption are continuously spent based on their current income. This shows in essence that individuals consumptions grow slowly compared to the growth or increase on their income. Hence increasing incomes tend to bring about an increasing savings in an economy.

One's ability to save is equally guided or influenced by the influences or behavioral patterns and income distribution of others in the society. The demonstration effect or the idea of following the "Jones" in the society has serious implications for savings especially in the LDC. The savings ratio tends to be low in the LDCs because of incomparable or skewed distribution of income with the advanced world which the upper income class in the third world is want to imitate.

A variant of the consumption hypothesis offered by Friedman indicates a trend in the past earnings which enables us to observe the future income of consumer. saving occurs mostly from

transitory income resulting from unexpected increase in income or a windfall. In an exploratory study carried out in Cross River State of Nigeria, it was discovered that households save mostly from their transitory income received from friends, relatives who live in the urban centre's rather than from their monthly income derived from farming and other activities (Mbat, 1985).

Saving decisions are guided by the wealth or stock of assets of individuals. However, it is observed that postponing consumption till a later date or for the future implies saving in its own right. When it is meant for higher consumption for the future, gives a low saving rate on the other hand, and individual might save based on a particular reason. Such targeted savings once achieved discouraged further savings or accumulation.

Savings potential is increased in a persistently inflationary situation on trend when income is redistributed from non-savings towards the saving class. Thriftiness of a section or a class of the society enhances the ability to save in an inflationary trend. At the same time, it is noted that other classes disserve because of the effect of inflation on their real income. Inflation increases with a concomitant increase in the nominal interest rates erode the real value of household wealth, thereby reducing savings. Higher rates of return pose a precarious note on the desire to save. The tax system also plays a significant role on the effect of saving in inflation.

Arguments surrounding inflation and saving behavior are legion and continuous. However, opinions continue to differ, empirical test carried out in the Korea which experienced high inflationary rate implied a positive relation between inflation and saving.

2.2. Mobilized Rural Savings

Several factors militate against the mobilization of rural savings in Akamkpa local government area of cross river state Nigeria. Despite its potential for growth and development it is still at its lowest ebb waiting to be harnessed. Empirical evidence revealed that the magnitude and behavior of personal savings in DCs particularly in Africa is meagre and fragmentary. Adams (1978) citing an ESCAPE study of seven countries in Asia invalidate this stance. In the survey one-half and two third of total saving were found to be made up of household savings. Economist arguing also found a close relationship between household savings and financial market policies.

Fischer (1989) admits that excessive administrative interventions into domestic financial markets like low interest rate policies, high reserve requirements and selective credit policies have not only hindered domestic savings mobilization but also impeded an efficient allocation of scarce capital. Access to developmental aid also precludes and discourages savings mobilization in the LGDs. Germidis (1990) noted that in-availability of cheap fund and the halt in external capital flow towards the LDCs have urged the mobilization of domestic resources to finance development. Fischer (1989) further observed that every indication points to the potential of saving institutions to stimulate financial savings have yet been exhausted. He emphasized, contrary to general opinion, evidence proclaims that the savings behavior of all private households is highly sensitive towards alternative incentives to save. This notion is justified by

the fact that incentives in various forms; higher interest rates and improve access to credits could sensitize rural households to save especially in productive real assets of financial assets. Sustainable and successfully mobilization of financial savings from savers especially in rural areas is achievable through appropriate offers from financial institutions via savings and credit instruments suited to the needs, education level and customs of the poorer part of the population. Mobilization of savings from the rural areas is recognized as a crucial factor affecting the process of economic development in the LDCs. Importance of savings emanate from the fact that it contributes one of the most important variables for economic development and growth through the process of capital accumulation. Stressing the need to mobilize rural savings Ojo (1990) stated that savings mobilization becomes important because of its sheer numbers and the needed urge to channel financial resources into agricultural development. Moreover, in a survey by Ojo (1990) stressed the prospect and potential of savings in the rural areas even though some problems could emerge.

Saving mobilization becomes very important to the LDCs considering the unprecedented fall in the current trend of inflows of assistance in forms of aid. It has become increasingly difficult to secure funds and recourse to such funds entails serious disadvantage because it creates economic dependency upon creditor countries and increases the burden of debt. It thus becomes fundamental and crucial in the light of the foregoing that authorities; policy makers especially in the LDCs to understand the importance of domestic mobilization of resources, particularly rural household savings.

2.3. The Role of Formal and Informal Financial Sectors in the Mobilization of Rural Saving(S)

Role of financial intermediaries in the mobilization of savings cannot be over emphasized. Their importance is seen in their ability to bring forth funds which hitherto had been unutilized or underutilized by the surplus spending unit (SSU) to the deficit spending unit (DSU) Beside the direct sale by the deficit spenders to savers of marketable claims or primary securities and harnessing savings to real investment, financial intermediaries play more significant role particularly in a developing country. Because of the ignorance of many ordinary savers and the assumed difficulties and intricacies involved in the operation of financial markets dealings of transactions, which often times discourage small savers, especially in the rural areas from participating in financial transactions urgently call for the intervention of the financial intermediaries.

Specifically, the basic function of financial intermediaries is gauged from its ability to offer claims to lenders that are more attractive than the claims which they themselves acquire from borrowers. Thus, they stimulate savings that might not otherwise exist and mobilize savings that would otherwise run to waste.

The non-institutional financial sectors in the LDCs are referred to severally in the literature as the unorganized sector or informal sector. The rural financial markets or the informal sector are those network of financial institutions and practices that deal with the mobilization of rural savings, the mobilization of rural savings, the channeling of credit and other financial transactions for rural people or in rural areas. The informal sector is grouped under three distinguished headings; individual money lender; groups of individual organized mutually; partnership forms (Germidis, 1990). Informal financial activity may also take the form of a bonded mutual agreement which is subject to rules and regulation. Two main types of informal associations coupled with a function of social protections are savings arrangements only (fixed-fund association; savings club), combined saving and credit arrangement.

Despite its low contribution to GDP, due to its informal status and characteristics, the rural financial market, well organized and functional can play a significant role in the development process most especially in the LDCs where Agriculture is the predominant rural activity. Credit can be used to purchase or hire physical equipment, example plough, tractors, tractor hour for clearing land, fertilizers, chemical etc, which can be used to make traditional agriculture more productive.

As a corollary rural financial markets (RFM) can play significant roles by providing households with safe financial attractive savings instruments. Thus, households are induced and more disposed to holding their extra cash in financial rather than in real forms predominant in most LDCs. Invariably savings collected by the RFMs could be channeled into economically useful and lucrative activities. Moreover the micro-informal sector has now been recognized as having promising potential in the area of providing employment opportunities for many people.

In a survey carried out by Chandavarkar (1985) to this effect, predicted on two decades apart; point to the following broad conclusions;

- That the non-institutional financial sectors still play a more significant role in Africa, Asia and the Mid-East than the Latin America where they are of little importance.
- Size of the organized and un-organized financial sector in the 50s and 70s using the ratio of rural indebtedness to the claims of the banking sector, submit that about one-half of the countries on un-organized market were at least three quarter as large as the organized market.

A theoretical look at the formal sector sees it as an urban-oriented institutional and organized system catering to the financial needs of the monetized modern sector. Government regulation, control and intervention in the activities of the formal financial institutions is far extensive and mostly at the expense of the development of financial sector could at times be liberal in outlook.

The organized financial sector has also been accused of siphoning off the savings from the rural areas to the urban areas. Further suitable local lending outlets have also been responsible for interregional transfer. An organized and well developed financial intermediary is essential to

rural savings mobilization. Although, the use to which the mobilized savings are put by the institutions is also a crucial point here, because it determines the appropriateness of these institutions as a link between savings and investment activities. Adams (1978) suggested that despite the wide illusionary stance of some economists, it has been concluded that proper financial policies provide some fundamental and developmental role. Moreover, they have been able to strengthen local services and bridge the institution gap.

3. RESEARCH METHODOLOGY

The survey method was adopted in this study. Two types of questionnaires were designed and administered in the local government area. An unambiguous and comprehensive questionnaire is directed at the individual and households and divided into four sections each reflecting the socio-cultural, economic behavior and habits determining savings as well as other factors responsible for low level of savings in the rural area like Akamkpa. The other questionnaire was administered on the two existing financial institutions in the local government area. Oral interview was complemented with the questionnaire where the respondents were found to be literates. Analytical techniques include a combination of descriptive data emanating from the survey questionnaire designed for the individuals were analyzed via the descriptive statistics.

3.1. Source of Data

There are two main sources of data used in this study – the primary source and the secondary sources.

- **THE PRIMARY DATA:** Data from this source involves field survey of the households in Akamkpa Local Government Area. Instruments used for data collection was the use of oral interview of the rural households in order to collect detailed information on rural savings mobilization in the local government area.
- **THE SECONDARY DATA:** The secondary source of data was collected from the two financial institutions in the area – the people’s bank of Nigeria and the Union Bank of Nigeria Plc Akamkpa Branch from the office records and this was based on rural savings mobilization from the two major financial institutions at the time of this research.

3.2. Population and the Sampling Technique

In selecting a sample from the population so that each member of the household of the population has an equal chance of being selected, a random sampling was adopted in the study; to represent the rural communities, where the two rural banks are located. They include;

- Households of Akamkpa and around the market squares,
- Households of Akamkpa weekly market;
- Household of Awi, the college community

- Rural household of Mbarakom, and finally,
- Households of Okom Ita and Old Netim respectively.

The sample obtained using the method is very representative of the entire population (lose sampling error). As a result, the finding using random sampling can easily be generalized to larger population.

4. EMPIRICAL RESULTS AND TESTING OF HYPOTHESIS

The data which are mainly secondary source were obtained from the Union Bank of Nigeria, Plc and the People Bank of Nigeria (PBN) that were the major banks in Akamkpa then, where rural savings mobilization is carried out. Information on savings mobilization was also collected from the households in the study area which was modified and adopted for the empirical analysis of this which is intended to test the hypotheses raised earlier in this study. Here we present test and discuss the results of the hypothesis stated earlier in the study.

Test of Hypothesis 1

Based on the hypothesis, oral interview questions were tested and analyzed. Interest is “the payment made by the borrower for the use of a loan for, say, a year, is expressed as the ratio which that payment bears to the loan and is called interest. Interest is paid as a reward for savings. Agreeing with Keynes (1936), the most well known modern authority on the subject, interest is seen as a payment in money and for money, and considers it as a reward for parting with liquidity. This hypothesis was retained based on the fact that Gross interest, on the other hand, includes, besides payment for the loan of capital, other payments also such as the payment to cover risks of loss, payment for the work and worry involves in making and watching interest as well as some compensation as insurance against risk and wages of management. Out of a total of 100 respondents interviewed, 25% of them showed that, the interest-elasticity of gross domestic rural savings mobilization is positive but not very significant.

From the findings, it shows that saving involves abstinence from consumption, and abstinence implies sacrifice, interest is a reward for saving or abstinence. It shows that everyone who saves has to give up his present consumption and his abstinence from present consumption does involve pain, discomfort and inconvenience. Interest therefore is regarded as compensation for this sacrifice and an inducement to people to save. This finding is inclining with the abstinence theory of interest.

Further findings reveal that savings do not involve abstinence from consumption in the case of rich persons and businessmen, who have so much income exceeding their consumption requirements. It was also discovered that savings by itself cannot result in interest, unless the money saved is also lent. Ten percent (10%) of the respondents indicated that saving must be surrendered to others who make use of them. It was argued that, abstinence by itself is insufficient to explain the phenomenon of interest.

In an economy, there may be three types of savers viz, individual savers, institutional savers like banks, insurance, companies, etc, and the government itself (who may use part of the tax income for investment purposes). Findings revealed that the banks will be willing to add to the supply of loan able funds by creating more credit and granting loans more liberally if the rate of interest is high. On the other hand, a lower interest rate will result in credit contraction. In the other words, the supply of bank credit which is an important part of the supply of loanable funds is dependent upon two factors;

- Savings of the community, and
- Bank credit

Test of Hypothesis II

That the level of disposal income (income elasticity) is positive and highly significant in determining gross domestic rural saving in Akamkpa Local Government Area of Cross River State. This hypothesis was retained, finding form the study shows that the level of disposal income (income elasticity) is positive and highly significant in determining gross domestic rural saving in the study area.

Table-1. Households in the Five Communities in the Study Area

S/no	Names of community	Respondent		Total	Percentage		Total
		SA	DA		SA	DA	
1	Akamkpa town (market square)	50	30	80	62.5	37.5	100%
2	Akamkpa weekly market	70	50	120	58.3	41.7	100%
3	Awi-college community	200	50	250	80%	20%	100%
4	Mbarakom household	65	25	90	72.2	27.8%	100%
5	Okomita/Old Netim	60	40	100	60%	40%	100%
	Net Total	445	195	620			

Source: Field survey - 2013

Sixty two point five percent (62.5%) around the market square strongly agreed that; the level of disposable income is highly significant in determining gross domestic rural saving g in the area. They maintained that high levels of those who save are wage and salary earning classes, making the income elasticity positive. They agreed that the ratio of savings to national income is a function not just of inequality, but precisely of the ratio of profits of national income or disposable income of the households.

While 37.5% of the households around the Akamkpa market square disagreed that the level of disposable income is positive and highly significant in determining gross domestic rural savings in the area. They maintained that the rate of voluntary private savings is low because of low level of incomes and a high propensity to consume in the area.

Around the Akamkpa weekly market, 58.3% indicated their awareness of rural saving especially under the people's bank of Nigeria rural saving mobilization scheme. They maintained

that high rate of interest may be helpful in mobilizing savings in the area. While 41.7% maintained that most households save little because their inclination is more towards spending rather than saving since their income is low.

At Awi, the College community, 80% showed a greater percentage of their awareness to save their money in the bank. They maintained that most household save to build houses or meet unforeseen circumstances. It was further revealed that saving is a matter of habit and so people save in their own interest or in the interest of the family or to educate their children. While 20% of the college community at Awi, indicated that most households save little because their inclination is more towards spending on their children's education rather than saving since their income is low. At Mbarakom village, 72.2% indicated their habit on saving, under the rural saving mobilization. They agreed that rural savings mobilization stimulate individuals to save more and to make their savings available for financing of appropriate growth promoting investment in the rural area. On the other hand, 27.8% of the households at Mbarakom showed interest on saving. They maintained that people save in the context of productive investment and as such would want to save for future investment.

Finally, 60% of households in and around Okom Ita / Old Netim, strongly agreed that rural savings mobilization have a link with local development projects. They maintained that mobilization of rural savings might lead to rapid development of the area. Forty percent (40%) of the household disagreed with the idea of rural saving mobilization as a function of investment. However, from this hypotheses, it is maintained that the level of disposable income is positive and highly significant in determining gross domestic rural savings in Akampa local Government area of Cross river State

Test of Hypothesis III

That saving(s) is a function of income and the propensity to save of profit earners (SP) is higher than that of wage earners (SW). As a result, the overall saving ratio of the community depends on the distribution of income.

This hypothesis was also retained though saving is a function of income of the household and the propensity to save of profit earners (SP) is higher than that of wage earners (sw) as a result the overall saving ratio of the community depends on the distribution of income – findings from testing this hypothesis shows that the bulk of savers with the two rural banks (peoples Bank of Nigeria (PBN) and Union Bank of Nigeria Plc, save under what is known as “Payroll Accounts”

Firms and organization with a large number of employees disburse salaries through the two banks in the area. A special account is opened for this purpose and sufficient funds are provided in it at the time of disbursement which is made by way of a list prepared and signed by the Accounting Department of the firm or organization. Individual SE Account of all the employees is also opened in the same branch of the banks. On due date, the firm or organization's account is

debited with a simple debit voucher for the total amount according to the list provided, and accounts of staff members are credited with the help of the same list.

Table-2. Firm's/Organization's Account With the Two Banks under Payroll Accounts

S/N	Name of firm/Organization	Respondents percentage (%)					Total
		UBN	PBN	UBN	PBN	% Total	
1	College of Education Akamkpa	243	108	69.23	30.77	100%	351
2	General Hospital Akamkpa	56	24	70%	30%	100%	80
3	CR Estates Ltd (CREL)	150	50	75%	25%	100%	200
4	Government Secondary School, Akamkpa (GOSSA)	16	14	53.3	46.7%	100%	30
5	Crushed Rock Ind Ltd	120	25	82.8	17.2%	100%	145
6	Local Government Council, Akamkpa	58	22	72.5	27.5	100%	80
7	Individual Investors	100	50	66.7	33.3	100%	150

Source: (i) Field Survey – 1995 / 2013 (ii) UBN Plc and PBN Payroll A/C for firms/Organizations, 1995/2013

In testing hypothesis number three, the findings from the survey shows that a total of 234 clients of the C.O.E., Akamkpa, and representing 69.23% save under the payroll account with UBN. Plc. Akamkpa Branch. While 108 workers of the college of education Awi or 30.77% with the People Bank of Nigeria, Akamkpa Branch, out of a total of 351 customers of the Banks that save under the Payroll Accounts; from the college of Education, Akamkpa.

A total of 70% of the clients form General Hospital, Akamkpa save with the UBN, while 30% save with the PBN, under the payroll Account.

It was also discovered that out of a total of two hundred clients from the CREL that save with the two rural banks, 75% of the client save with the Union Bank of Nigeria, Plc, while the remaining 25% bank with the PBN, respectively.

Fifty three point three percent (53.3%) of the workers from GOSSA save with UBN, under the payroll account, while 46.7% bank with the People Bank of Nigeria as well. One hundred and twenty or 82.8% save with the Union Bank of Nigeria, Plc., the least number of twenty-five, of the crushed Rock workers, or 17.2% bank with the PBN.

A total of 72.5% of local government council workers bank with the UBN, while 27.5% save with the Peoples Bank of Nigeria, under the rural saving mobilization.

Finally, under the individual savers; 66.7% of the clients in the area indicated that they save with the Union Bank of Nigeria, while 33.3% bank with the Peoples Bank of Nigeria, respectively under the rural saving mobilization.

5. CONCLUSION AND POLICY RECOMMENDATIONS

We X-rayed the “rural saving mobilization and economic development” in Akamkpa Local Government Area of Cross River State Nigeria. The findings emerging from the study suggest that there is great awareness on savings mobilization, by the rural households in the study area.

From the field survey carried out, it was discovered that 80% of the Awi-College Community showed a greater percentage of their awareness to save their money in the bank. The study also reveals that the higher the rate of interest, the greater the inducement to savers to increase their savings and supply more funds. It also shows that the supply curve of capital will therefore slope upward to indicate that more funds will be saved and supplied at a higher rate of interest. The supply of investible funds is interest elastic. It was also discovered that in the study area, where the two rural banks are located, there are three types of savers viz, individual household savers, institutional savers like the college of Education, CREL, General Hospital, and other governmental organization or government itself; who may not use part of the tax income for investment purposes.

The findings reveals that a greater percentage of the community save their money with the Union Bank of Nigeria, Plc, while the lesser percentage save with the Peoples Bank of Nigeria. In addition, majority of the savers with the two banks, save under the payroll accounts. It was discovered that firms and organizations with a larger number of employees disburse salaries through the two banks in the area. For instance, of a total of 351 clients that bank with the two banks, 243 or 69.23% save with the Union Bank of Nigeria Plc. While, 108 or 30.77% save with the peoples Bank of Nigeria, respectively, under the payroll accounts.

It was also revealed that savings is a function of income and the propensity to save of profit earners (SP) is higher than that of wage earners (SW) as a result, the overall saving ratio of the community depends on the distribution of income of the households. Overall, we find that the interest elasticity of gross domestic rural savings mobilization is positive but not very significant and the level of disposable income (income elasticity) is positive and highly significant in determining gross domestic rural savings in the study area.

6. RECOMMENDATION OF POLICY RELEVANCE

Rural savings mobilization plays an important role in development of rural economics of the less developed economies. As a result of the importance attached to saving mobilization the following policy recommendations are made:

- For effective rural savings mobilization to take place, certain incentives to savings in the form of gifts, business lottery prizes and tax exemptions on the purchase of government bonds should be given to savers in the area.
- Since higher rate of interest by financial institutions brings about greater inducement to savers to increase their savings and supply more funds; it is recommended that the rural banks in the area should increase their rate of interest to investors and savers so as to induce them to increase their savings and supply for more funds to the banks since Interest is that inducement or reward to the savers.

- In every country, there is a certain volume of funds which is borrowed and lent; these funds are known as loanable funds or investible funds. Since the rate of interest is the price paid for the use of capital, it is therefore recommended that more financial institutions be established in the study area, apart from the two banks under investigation (Union Bank and People Bank) by so doing it would give room for healthy competition among the banks in the area, thereby increasing their interest rate to savers and investors respectively.
- Further policy implication of the study is that the government or the monetary authority should maintain the equality of saving and investment and they could do so by making the market rate of interest equal to the natural rate. In case the economy suffers from business depression and unemployment, the rate of interest should be reduced, investment should be expanded and the volume of money supply should be increased. This will push up prices, production, employment, etc, and the business depression will be checked.

7. CONCLUSION

Findings from the study showed that the interest – elasticity of gross domestic rural savings mobilization is positive but not very significant. And that the level of disposable income (income-elasticity) is positive and highly significant in determining gross domestic rural savings in Akampa Local Government Area of Cross River State. This therefore, shows that majority of the rural savers with the two banks in the study area, save under the payroll accounts; where their income or salaries had to be paid through the two financial institutions under investigation. Out of 351 clients that save with the two banks under payroll accounts, 69.23% or 234 workers of the college of education received their salaries through the Union Bank of Nigeria, Plc, while, 108 or 30.77 % save with the peoples banks of Nigeria, respectively during the period of investigation.

It is finally hoped that findings from this research study will go a long way for developing a future policy frame work for rural savings mobilization in the state and Nigeria in general. And that it will go a long way to fill in the gap in the existing literature on savings and investment in the country.

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