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Rural institutions as agents of savings mobilization in UDI local government area of Enugu State, Nigeria

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Rural institution, farmers, savings mobilization, Udi and Enugu State.

A B S T R A C T

The research work examined the rural institution as an agent of savings mobilization. The general objective of this study was to investigate various rural institutions of farmer's multi-purpose cooperatives society in Udi Local Government Area of Enugu State for mobilizing rural savings (2008 – 2012). Data were collected from both primary and secondary sources. The sample of 10 rural institutions with 600 as the total population was made using the simple random sampling techniques, while Taro Yamane formula was used to arrive at 240 cooperators. Analysis of data was done using descriptive statistics; frequency tables and percentages. The major findings were that: the rural institutions are strongly involved in rural savings mobilization, the activities of rural institution of farmer's multi-purpose cooperatives society in Udi Local Government area have helped to provide fertilizer, insecticide and tractor to improve the rural dwellers/communities, farming is the major source of finance available to rural savers to pay the loan disbursed. The researcher made the following recommendations: Government should introduce mechanized system of farming for the rural dwellers in order to improve their productivity and also introduce other source of finance for the rural dwellers; the rural institutions should be linked with formal financial institutions; they should formalize them with an appropriate registration and use the rural institutions as the basis for promoting community banks in Nigeria; Government should be supportive to the rural dwellers by providing adequate funds and farm inputs and other materials for them to engage themselves in apprenticeship such as : welder, mechanic and carpentry work etc. which will help in reducing unemployment for the rural dwellers particularly Nigerians in general.

Introduction

A lot of documentary evidence abounds about the origin, structure and operation of rural institution in Africa [1, 2 and 3]. [1],

reported that rural (traditional) financial institutions date back to pre-evanion of Africa by any foreigner. He contended that

this institution is deep rooted and interwoven with the African culture and is as old as Africa themselves. [4] opined that Rural institutions started when Nigeria was created. It stressed that slave trade acted as one of the most primitive means of rural institutions. Also, by this time, the modern money was not in use, hence crude means of transaction like trade by barter was in use, but still the same of these rural institutions like the age-grade organizations, Isusu and local money lenders etc. were in existence. [5, 6, 7 and 8] acknowledged that these institutions are important especially in Africa and they provide valuable services to large number of people in rural areas.

The importance of funds to any economic activities and development process cannot be over-emphasized people need funds to finance their fixed and working capital, to pay for services rendered to them and for working interest yielding investment. Lack of funds has featured prominently among the key constraints to socio-economic and development activities in Nigeria even at normal times. Thus we are all aware of the situation under the prevailing excruciating economic condition in Nigeria. The issue of funding economic and rural transactions, when contrary to rural banking programs, objectives opportunities for small scale enterprises, yet general lack of investment funds, added to the abolition of subsidies, the results are fewer resources and reduced access to credits [9, 10, 11 and 12].

This is more so because cheap government credit which rural dwellers relied heavily on in the 1989 has dried up, Many banks have gone from distress to bankruptcy and the surviving ones have restricted lending to many people and organizations. Rural dwellers lost their deposits in collapsed banks and financial houses in 1990's. Indeed, the banking culture, the cultivation

of which has been seen as one of the necessary conditions for savings mobilization among small and medium rural enterprise operations has worn-off considerably in view of the aforementioned travels of the financial sector in Nigeria. But rural institutions, which have always served the Nigeria economy relatively well and performed certain functions of commercial Banks, though in uncivilized and undefined manner, are relegated [13 and 14]. The importance of rural institutions in mobilizing rural savings in the area of study cannot be over emphasized particularly at the present day stand of the banking industry in Nigeria. This is to say that the result of this research is hoped to serve as a reference tool for the farmers multi-purpose cooperative societies of Udi Local Government area in particular and Nigeria in general in knowing some vital roles that are being played by these institutions in savings mobilization activities and the various ways of improving their performances. The result of this research may also enable people know why these institutions have persisted and continued to compete side with the modern financial institutions in our economy [15].

The output of this research work might also serve as a reference material to any student who may wish to conduct a similar research in future. The research work may be of great value to the library and serves as a reference tool for individual members as guidance on what is expected of them. Therefore, it may be important for active financial system and commercial banks in determining where new banks are to be cited.

The broad objective of the study was to examine the potentials of various rural institution of farmer's multi-purpose cooperatives societies in Udi Local Government Area of Enugu State for

mobilizing rural savings (2008-2012). This work aimed at achieving a number of specific objectives and they include:

- To identify the rural institutions of farmer's multi-purpose cooperatives societies in Udi Local Government area and their basic means of savings mobilization.
- To determine the volume of funds contributed as pooled savings/deposit by the institutions (2008-2012).
- To identify the volume of funds applied for as loan disbursed, repaid and interest rate structure in 2008-2012.
- To examine the various investments carried out by these institutions and contributions of the farmers multi-purpose cooperative societies on the communities/members.
- To identify the problems facing these institutions.
- To make policy recommendations based on the findings.

Research design and methodology

Area of the study

The area of study for this research focused on the farmers multi-purpose cooperatives societies of Udi Local Government area of Enugu State. Udi Local Government Area was created during the colonial period. It is made up of various communities among them are Nachi, Nkwuago, Afa, Umoka, Abor, Ebe, Umulumgbe, Amokwe, Okpatu, Awhum, Ukanna and Egede etc. It occupies a land area of two square kilometers and has boundaries with Nsukka by the east, Ezeagu by the West, Ngwo by the North and Ojebe Ogene by the South. According to NPC (2006) census result, Udi Local Government area has a population of 218,180 persons, as

a result of improved health services and general conditions of living. As a result of this, agriculture is the pre-dominant occupation of the greater population of the local government. They produce cash crops like cashew and palm produce and food crops such as cassava, yam, maize and variety of fruits.

Research design

Survey research was used to determine the opinion, attitude and perception of respondents on solid waste management in Enugu metropolis.

Sources of data

The study utilized two main sources in the collection of its data: primary and secondary sources. Primary sources include questionnaires, structured oral interviews and personal observations. Secondary sources were extracted from journals, government gazettes and publications, periodicals, textbooks, the Internet and magazines.

Method of data collection

The procedure for data collection is through questionnaire.

Population of the study

The total number of five members of rural institution of farmer's multi-purpose cooperative societies within Udi Local Government area is six hundred being the members of the society and the population of this study.

Sample size

In determining the size, a sample random formula called Taro Yamani was used to determine the sample size from the

population based on the information made available from the research.

$$n = \frac{N}{1 + N(e)^2}$$

Where n = Sample size
N = population
1 = constant

e = Error

$$n = \frac{600}{1 + 600(0.5)^2}$$

$$n = \frac{600}{1 + 600 \times 0.0025}$$

$$n = \frac{600}{1 + 1.5}$$

$$n = \frac{600}{2.5} = 240$$

Therefore n = 240 co-operators

Sampling techniques and size

For the effective study, a simple random sampling procedure is adopted on the institutions visited since it would allow for equi-probability to all members of the rural institutions. The researcher applied random sampling technique to ensure that all selected groups have an equal chance with the other sample that is not selected.

Validity of the instrument

To ensure that responses received are in respect to the deliberately repeated forms when designing the questionnaires and interview schedule. This was done to verify consistency in the replies of respondents. The validity of the instrument was also ascertained by researcher by presenting it to an expert.

Method of data collection

The researcher personally administered the questionnaires to the respondents. This method allowed a personal administration of

the questionnaires and enabled the researcher to explain the purpose of this study. The questionnaires were administered and about two weeks was allowed before retrieval. This enabled the respondents to understand and appreciate the purpose of this study. The questionnaires were collected personally by the researcher.

Instrument of data analysis

The data were analyzed using both frequency tables and percentages to ascertain the results.

Questionnaire distribution and response rates

The researcher distributed 240 copies of questionnaires and 200 copies were received from the respondents.

From table 2 above, it was clear that the researcher distributed 240 copies of questionnaires to the respondents and 200 representing 92.5% were received while 40 representing 7.5% was not received.

From the table 3 above, it shows that 200 persons said yes out 200 respondents.

Table 4: above showed that 195 of the respondents representing 95.5% said yes that rural institutions are involved in rural savings mobilization while 4.5% representing 5 respondents said no. This means that rural institution in saving mobilization improved their member's performances.

As can be seen from table 5 above, 60 representing 25% contributed monthly, 133 respondents representing 69.6% contributed daily. This means that weekly contribution will give the members more time to prepare for the contributions. Table 6 showed the volume of savings by the institutions.

Table 7 indicated that 115 respondents representing 65% used non-rotatory method in mobilizing rural savings, 40 representing 10% use rotatory strategies, 25 representing 17% apply thrift saving strategies while 30 respondents representing 13% use share capital strategies. Therefore, the table shows that the majority of the institutions adopt non-rotatory strategies/method because their saving through regular contributions, contingency and special project funds.

Table 8 above shows that 40 respondents representing 22% engaged in marketing, 10 respondents representing 8% are traders, 20 respondents representing 6% engage in oil and Garri processing, 100 respondents representing 55% engaged in farming while the remaining 30 representing 9% engaged in interest accumulation.

As indicated in the table 9 above, most institutions require prospective loan borrower to provide collateral security before issuing loan to them.

Table 10: above clearly indicate that the respondents were unanimous in their opinion that from financial activities rural institutions engage in real investment.

Table 11 shows that 150 respondents representing 80% affirmed that they have borrowed money from the institutions while 50 respondents representing 20% have not borrowed money from the institutions. The high rate of loan borrowed may be as a result of low interest charge by these institutions.

Table 12 above showed that 100 of the respondents representing 45% were in the range of N20,000 - N40,000, 50 respondents representing 25% are in loan range of N40,000 – N60,000, 30 respondents representing 20% are in the loan range of N60,000 – N80,000.

Table 13 above reveals that 170 respondents representing 85% indicated that the impact of government on rural institutions has been unfavourable, while the remaining 30 respondents representing 15% had been favourable. The researcher here observes that most government policies are well articulated but poorly implemented due to a number of factors such as inconsistencies, lack of political will and corruption among themselves.

Table 14 showed the major problems facing the rural saving mobilization. 25 respondents representing 5% identified poor record keeping as one of the major problems while 40, 30, 15 and 90 respondents identified illiteracy, lack of basic infrastructural facilities, poverty and high rate of loan default as the major problems facing rural institutions.

Table 15: showed that 60 respondents representing 15% agreed that rural institutions helped to improve the welfare of the rural community, no respondents strongly disagreed while the remaining 140 respondents representing 85% strongly agreed that the activities of rural institutions have helped to improve the welfare of the rural people in Nigeria.

Table 16: indicated that 40 respondents representing 29% agreed that accessibility to microfinance loans boosted capital base in rural institution as an agent of mobilization to farmers multi-purpose cooperatives society in Udi local Government area of Enugu State. Again, 130 respondents representing 65% said that cooperative or non formal education to managers to improve their management is very important in solving the problems of rural institution of farmers multi-purpose cooperatives society in Udi Local Government area of Enugu State for mobilizing rural savings.

While, 30 respondents representing 15% totally agreed that engagement of internal and external auditors to check fraud is very important and would help in solving the problems of rural institution of farmers multi-purpose cooperative society in Udi Local Government of Enugu State. Therefore, the implication of the table 16 is that cooperative or non formal education to managers to improve their management is the most important way forward of the rural institution in order to contribute meaningfully in rural institution of farmers multi-purpose cooperatives society in Udi Local Government area of Enugu state.

Table 17 showed that in 2008 Town Union saving mobilized was N50,000 and repaid N 1000. They invest in palm oil process, 2009 saving mobilized by the Isusu is N40,000. N5000 was repaid and invested in cassava cultivation.

From the research, rural instructions in Udi Local Government Area of Enugu State are town union, Isusu, social club, age grade association and trade credit. In response to the above question, (22%) twenty two percent or (40) forty of the interviewees maintained that through rural institutions funds can be mobilized. 8% or 10 of the interviewees say it is through trading. 55% or 100 correspondents maintained that it is through farming. While 90% or 30 interviewees believed it is through interest accumulation. In conclusion, an effort was also made to identify the volume of funds contributed by these rural institutions. In response to the above question, (30%) thirty percent or 50 members made contributions in 2008, no amount is disbursed, while N5000 were repaid. In 2010, amount of loan disbursed was N5000, while N6000 was the repayment. In 2011, amount disbursed is N20,000, while N2,000 was repaid and finally, in 2012 N10,000 loan disbursed was against N15,000 repayment. Furthermore,

the investment carried out by this institutions include palm oil processing, cassava cultivation, tractors hiring, fertilizer /seedling purchase and Rice farming and these has improved the welfare of the rural community. The problems faced by rural institutions are poor record keeping, high rate of illiteracy and lack of basic infrastructure, poverty and high rate of loan default. From the research so far, the policy recommendations as solutions to the problem include accessibility to microfinance loan to boost capital base; cooperative or non-formal education to managers to improve their management and engagement of internal and external auditors to check fraud. The data collected on the institutions clearly indicated they have performed quite well in mobilizing capital and extending credit to their members without these institutions, most dwellers in these area, especially the small scale producers and petty traders would have had little access to capital, except the little each can generate for themselves. The activities of these institutions have therefore contributed to rural development at the grass roots. Below are the findings that resulted from the analysis of this data.

- Based on the findings, it was observed that it is compulsory for the members of the institution to save with the institution.
- The researchers found out that the institution required collateral security from the prospective loan borrowers, the collateral securities include house and land etc.
- According to the findings, it shows that the rural institutions are strongly involved in rural saving mobilization.
- The researchers observed that the activities of rural institutions in Nigeria have helped to improve the welfare of the rural community.

- The findings showed that farming is the major sources of finance available to the rural savers as observed from the correspondences.
- The researchers showed that members of the institution can borrow a loan range of 2000 from the institution.
- The researcher found out that the major problems encountered by the rural institutions in rural savings mobilization were poor record keeping, high rate of illiteracy, lack of basic infrastructural facilities, poverty and high rate of loan defaults.

Conclusion

From the foregoing analyses, it was established from personal interviews and administration of questionnaires to the direct operators and beneficiary, that rural institution is an agent of savings

mobilization. In this area, under study, there are rural dwellers which have unfortunately no access to capital mobilization, extension of capital and even the extension of credit which this institution has solved. Another very important observation was that loans given are quick-making, rapidly accessible and flexible credit programmes that tend to dissolve the internal savings deposit of low cohesiveness of the institution. Rather, aimed at enhancing the capital of the groups to mobilize savings/deposit and extend the quantity and quality of lending services. To crown it all, it was discovered that these institutions distribute and manage pooled funds through the use of several cash contributions arrangement including compulsory savings, voluntary deposits and fines.

Table.1 Allocation of questionnaires to institutions used for this research

S/NO	INSTITUTIONS	NO OF MEMBERS SELECTED
1	Town Union	$15 \times 240/600 = 6$
2	Social Clubs	$60 \times 240/600 = 24$
3	Isusu	$180 \times 240/600 = 72$
4	Age grade association	$120 \times 240 / 600 = 48$
5	Married Women association	$25 \times 240 /600 = 10$
6	Local saving Scheme	$30 \times 240/600 = 12$
7	Local saving Scheme	$100 \times 240/600 = 40$
8	Family and Friends Association	$25 \times 240 /600 = 10$
9	Trade credit	$15 \times 240/600 = 6$
10	Family found pool	$30 \times 240 /600 = 12$
	Total	Sample size = 240

Table.2 Distribution of questionnaires

ITEMS	NUMBER	PERCENTAGE
Number of questionnaires distributed	240	100%
Number of questionnaires received	200	92.5%
Number of questionnaires not received	40	7.5%
Total	240	100%

Source: field Survey, 2013

Table.3 Respondents reaction according to the compulsion of savings with the institution

ANSWERS	RESPONSE	PERCENTAGE
Yes	200	100%
No	-	-
Total	200	100%

Source: field Survey 2013

Table.4 Distribution of respondents according to the involvement of rural institutions in rural saving mobilization

OPTIONS PROVIDED	MEMBERS	PERCENTAGE (%)
Yes	195	95.5%
No	5	4.5%
Total	200	100%

Source: Field Survey, 2013

Table.5 How often rural institutions mobilized funds

Response Option	Response rate	Percentage (%)
Monthly	60	25%
Weekly	133	69.6%
Fortnightly	-	-
Daily	7	6%
Total	200	10%

Source: Field Survey, 2013

Table.6 The volume of savings by these institutions

Response option	Response Rate	Amount saved	Percentage (%)
2008	50	50,000	30%
2009	120	40,000	60%
2010	15	10,00	5%
2011	5	30,000	2.5%
2012	25	20,000	2.5%
Total	200	150,000	100%

Source: Field Survey, 2013

Table.7 The method of mobilization of rural savings by institutions

Response Option	Response Rate	Percentage (%)
Non-Rotatory strategies	115	65%
Rotatory Strategies	40	10%
Thrift Savings Strategies	25	17%
Share Capital strategies	30	13%
Total	200	100%

Source: Field Survey, 2013

Table.8 Sources of finance available to the rural savers

Response Option	Response Rate	Percentage (%)
Marketing	40	22%
Trading	10	8%
Processing	20	6%
Farming	100	55%
Interest accumulation	20	9%
Total	200	100%

Source: Field survey, 2013

Table.9 Things one can pledge before obtaining loan

Response Option	Response Rate	Percentage (%)
House taking	105	55%
Farmer, palm tree	70	20%
Providing shortee	25	15%
Total	200	100%

Source: Field Survey, 2013

Table.10 Apart from financial activities does rural institutions engage in rural investments?

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Yes	200	100%
No	-	-
Total	200	100%

Source: Field Survey, 2013

Table.11 Have you ever borrowed money from the institutions?

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Yes	150	80%
No	50	20%
Total	200	100%

Source: Field Survey, 2013

Table.12 How much one can borrow from the institution

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
N20,000 – N 40,000	100	45%
N40,000 – N 60,000	50	25%
N60,000 – N80,000	30	20%
N80,000 and above	20	10%
Total	200	100%

Source: Field Survey, 2013

Table.13 The contribution of government on rural institution

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Unfavourable	170	85%
Favourable	30	15%
Total	200	100%

Source: Field Survey 2013

Table.14 The major problems encountered by rural institution in rural saving mobilization

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Poor record keeping	25	5%
High rate of illiteracy	40	9%
Lack of basic infrastructural	30	4%
Poverty	15	7%
High rate of loan default	90	75%
Total	200	100%

Source: Field Survey 2013

Table 15 Whether rural institutions helped to improve the welfare of the rural community

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Agree	60	15%
Strongly disagree	-	-
Disagree	-	-
Strongly agree	140	85%
Total	200	100%

Source: Field Survey, 2013

Table.16 Recommendations as solutions to the problems of rural institutions in savings mobilization

RESPONSE OPTION	RESPONSE RATE	PERCENTAGE (%)
Accessibility to microfinance loans to boost capital base	40	29%
Cooperative or non-formal education to managers to improve their management	130	65%
Engagement of internal and external auditors to check fraud	30	15%
Total	200	100%

Source: Field Survey, 2013

Table.17 Summary of the activities of rural institutions of farmers' multi -purpose cooperatives societies in udi local government area of enugu state

Years	Rural Institutions	Savings mobilized #	Volume of funds as loan or loan disbursed #	Amount repaired #	Various investment of these farmers
2008	Town Union	50,000	-	1000	Palm oil process
2009	Isusu	40,000	-	5000	Cassava cultivation
2010	Social Club	10,000	5,000	6000	Tractors Hiring
2011	Age Grade Association	30,000	20,000	2,000	Fertilizer /seedling purchase
2012	Trade credit	20,000	10,000	15,000	Rice
	Total	150,000	35,000	29,000	Farming

Source: Field Survey, 2013

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