

Impact of Thrift and Loan Associations in Reducing Poverty for Economic Development of Farmers in Lafia Local Government Area of Nasarawa State, Nigeria

OJO, S. Stephen PhD AYESORO S. Adesina OJILE, O. Anita
Department of Social Development Nasarawa State Polytechnic, Lafia, Nigeria

Abstract

In rural areas, low level people hardly ever get access to credit facilities and farm inputs due to their socio economic status, thus the poverty level of people in rural areas continue to worsen. This study was carried out to examine the impact of thrift and loan associations in reducing poverty for economic development of farmers in Lafia Local Government Area of Nasarawa State. A multi-stage sampling technique was used in selecting the respondents. Data were collected through questionnaire and interview schedule. Tools for analyses were descriptive statistics and multiple regressions. Findings revealed that household size, farm income, non-farm income, educational level and interest rate charged on credit were the significant factors that influenced the level of participation of members in thrift and loan associations. The study concludes that Micro-lending through thrift and loans associations has been considered as the solution for poverty reduction. It was therefore recommended that thrift and loan association should be supported to grow their wealth sufficiently through accumulation of enough institutional capital to finance funded assets, provide cushion to absorb losses, link up farmers with sources of input production thereby reducing poverty among members.

Keywords: impact, thrift and loans, association, poverty, economic, development

1.0 INTRODUCTION

1.1 Background to the Study

Thrift and loan associations are important in the provision of financial and banking services to low income households in rural areas. This thrift and loan associations performs functions in relations to her member's development. These functions are collecting savings, giving loans and financial or non-financial advice to her members. This is to facilitate the development of her members on how to manage and utilize micro credit received.

Micro-lending has been considered as the solution for poverty reduction (Magbagbeola, Adetoso, & Owolabi, 2010). Thrift and loan associations have been seen as one of the ways of reaching out to the un-banked and the neglected in the society and not a few have come to see it as an alternative to the regular banking, since it, in most case provides members of the group the financial incentives without the rigours usually experienced in banking halls (Adewakun, 2012).

1.2 Statement of the Problem

In rural areas, low level people hardly ever get access to credit facilities due to their socio economic status, thus the poverty level of people in rural areas continue to worsen as observed by Ojo (2009). The small and medium scale enterprises that have been described by many development agents as the nerve of a nation's economy is suffering from poor funding (Basu, Balvy & Yulek, 2004).

Over time, thrift and loan associations have been trying to address members' demands by mobilizing funds and granting credit to members. However, they have not been able to grow their wealth sufficiently through accumulation of enough institutional capital to finance funded assets, provide cushion to absorb losses and impairment of members' savings. However, previous studies have shown that lack of growth of thrift and loan associations has threatened their sustainability such that they have not been able to absorb their operational losses. As such this study therefore sought to address the following questions.

- i. What are the socio-economic characteristics of farmers in thrift and loan associations?
- ii. What are the factors influencing the level of participation of members in thrift and loan associations
- iii. What are the constraints faced by members of thrift and loan associations.

1.3 Objectives of the Study

The main objective of this study was to examine the impact of thrift and loan associations in reducing poverty for economic development of rural farmers in Lafia Local Government Area of Nasarawa State, Nigeria. The specific objectives were to:

- i. Describe the socio-economic characteristics of farmers in the study area.

- ii. Identify the factors influencing the level of participation in thrift and loan associations.
- ii. Identify the constraints faced by members of thrift and loan associations.

1.4 Hypothesis of the Study

There is no significant relationship between the socio-economic characteristics of the respondents and participation in thrift and loan associations for economic development of rural farmers in Lafia Local government Area of Nasarawa State.

1.5 Scope of the Study

Cooperative societies such as thrift and loan associations will be examined because of the funding role they play in the lives of smallholder farmers in Lafia Local Government Area of Nasarawa State. As a result of limited time, only important issues relating to the study will be addressed. Also this study would have covered a larger number of Nigerian rural farmers in various States across the country but due to lack of time and finances, the researcher has decided to cover only some selected town in Lafia Local Government Area of Nasarawa State. Therefore this study is only limited to Shabu, Assakio, and Tudun-Gwandara only, with specific focus on the impact of thrift and loan associations in reducing poverty for economic development of farmers.

2.0 Conceptual Framework

2.1 Concept of Thrift and Loan Associations

Thrift and loan associations can be seen as an arrangement designed to improve individuals' lives and enhance micro and small scale entrepreneurs in mobilizing savings and accessing fund as loan as at when needed from the scheme in rural areas. Thrift and loan associations are privately organized association of individuals of like minds who come together to operate a savings and loan program among themselves (Oluyombo, 2010). Thrift and loan associations are voluntary associations that are members owned, self-managed and democratically controlled within a specific location (Adebayo and Yusuf, 2004).

3.0 METHODOLOGY

3.1 Study Area

Lafia is a town in central Nigeria; it is the capital city of Nasarawa state and has a population of 330,712 inhabitants according to the 2006 census. It is the largest town in Nasarawa state. The people of Lafia are known for their vast and rich agricultural products in Mellon, and Yams and other local food produce.

3.2 Sampling Procedure and Sample Size

A multistage sampling technique was used in selecting the respondents. At the first stage three (3) thrift and loan associations were purposively selected. These associations include: Nowek commission agency, Aleboh association and Groomy savings. This selection was based on their viable contribution and activity to thrift and loan associations' members. In the second stage, three areas were selected from Lafia. These three (3) areas selected include: Shabu, Assakio and Tudun-Gwaradara. This was because of the availability of members of thrift and loan associations. Finally about 30 respondents were selected from each area (associations), giving a total of 90 respondents for this study.

3.3 Methods of Data Collection

Primary data was used for this study. These were collected through interviews and questionnaire. The questionnaire was administered to the members of the identified thrift and loan associations and the officials of the thrift and loan associations were interviewed

3.4 Analytical Techniques

Both descriptive and inferential statistics were used for this study. Descriptive statistics such as; percentages, frequency distribution table were used. The multiple regression which is a statistical tool for investigation of relationships between variables. The model specification is as follows:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + e$$

Where; Y_i = Amount of Contribution by Members (Naira/Daily/Monthly).

X_1 = Age (Years).

X_2 = Sex (Male=1, Female=0).

X_3 = Occupation (Civil Servant=1, Artisan=2, Trading=3, Fishing=4, Others=5).

X_4 = Household Size (Number of Persons).

X_5 = Education (Years of Schooling).

X_6 = Total Farm Income (Naira).

X_7 = Total Non-Farm Income (Naira).

X_8 =Interest Charged on Credit (Naira).
 β_i = The coefficients for the respective variables.

4.0 Results and Findings

4.1 Socio-Economic Characteristics of Respondents

Participant demographic characteristics are presented in Table one. The results revealed that majority about 61% of the respondents were between the ages of 35-45 years. This implies that majority of the respondents are still within a productive and active working age range, hence their ability to participate or produce to earn some income from farming and non-farming activities. This finding is in line with the findings of Bzugu, Gwary & Idris (2005) who revealed that productive and active persons participates more in agricultural and community development activities.

Also it was also found out that about 66% of the respondents had some form of educational level of qualification. This might be because most of those who understood the value of thrift and loan associations were those who had a certain level of education. During the interview with the management of thrift and loan associations, majority about 81% said most of their clients are literate to some extent. This has increased their opportunity to fit into many activities of the community as they relate freely with the system without facing much difficulty in trying to convince them to join a cooperative society.

Majority about 62% of the respondents had between 2-13 household sizes. This shows that the relatively large household size may likely enhance the family labour supply on the farms, hence supporting favorably, productive capacities of the farmers already enhanced by their age. This corroborate with the findings of Adegbite and Oluwalana 2004 that the larger the household size, the higher the likelihood of sustainable labour efficiency on farmers' farm, given the constant labour supply.

Also it was found that majority about 66% of the respondents had between 11-34 years of farming experience. Farming experience is used as a measure of management ability; the more experienced the farmer, the more his ability to make farm decision. In the course of the interview with the management of thrift and loan associations, majority about 73% said they give more loans to experienced farmers who have been in the trade for long in order to increase their productivity and efficiency.

Finally it was found that about 49% of the respondents were traders, while about 9% were artisan. It reveals that most of the respondents in the study area engaged in one or more economic activities such as artisans, trading, fishing and civil servant. This could be regarded as a positive development because there would be no time for idleness. The implication for this is that farmers with other sources of income may be motivated to save as a result of the extra income compared to what farming alone would have provided.

4.2 Factors that Influence the Level of Participation of Members in Thrift and Loans Associations.

The coefficient of household sizes was found to be positive and significantly influences the participation of members in thrifts and loan associations. It indicates that household sizes had an influence on the level of participation of members in thrift and loan associations. During the interview session with the management of thrift and loan association, about 72% believed that large household size means more responsibility to the household head and thereby makes household head depend on thrift and loan associations for farm management, personal survival and home management.

The coefficient of educational level was found to be positive and statistically significant. This implies that educational attainment influences the level of participation of members in thrift and loan associations. Education creates awareness about opportunities existing in thrift and loan associations. This result agrees with the findings of Elsie (2006) that level of education play a significant role in the participation of members in thrift and loan associations.

The coefficient of farm income was found to be positive and significantly influences the level of participation of members in thrift and loan associations. This result conforms to a priori expectation. Thus, farmers with high income are more likely to participate in thrift and loan associations compared with those with low income. According to the management of thrift and loan association during the interview that farmers with more farm income are liable to benefit more from the association in terms of financial assistance. This would make the farmers to be able to improve in their farming activities.

Table 1: Socio-Economic Characteristics of Respondents in the Study Area

Characteristics	Frequency	Percentage (%)
Age		
25-30	7	8
31-36	12	14
37-42	31	36
43-48	21	25
49-54	12	14
55-60	2	2
Educational level		
No formal education	11	13
Primary education	31	36
Secondary education	34	40
Tertiary education	9	11
Household size		
2-7	28	33
8-13	25	30
14-19	23	27
20-25	9	11
Farming experience		
3-10	10	12
11-18	14	16
19-26	25	29
27-34	17	20
35-42	13	15
43-50	6	7
Occupation		
Civil servant	10	12
Artisan	8	10
Trading	42	49
Fishing	14	16
Others	11	13
Total	85	100

Source: Field survey, June 2015

The coefficient of non-farm income was found to be positive and significantly influences farmers' willingness to participate in thrift and loan associations. This conforms to a priori expectation. That is, farmers who engaged in non-farming activities were more likely to participate in thrift and loan associations than those who did not engage in any non-farm activities. A possible reason is that farmers who engaged in non-farm activities diversify their income sources and have access to more capital for use in farming.

The interest rate charged on credit was found to be positive and statistically significant. This does not conform to a prior expectation. It implies that interest rate charged on credit positively influences farmer's willingness to participate in thrift and loan associations. This may be attributed to the fact that thrift and loan associations provides necessary fund to their member's without collaterals (International Labour Organization, ILO, 2003).

The coefficient of age was found to be negative and statistically non- significant. This result conforms to a priori expectation. It implies that age negatively influenced farmers' willingness to participate in thrift and loan associations. It means that as they get older; their level of participation in thrift and loan association decreases.

Based on these findings, the hypothesis which states that there is no significant relationship between the socio-economic characteristics of the respondents and participation in thrift and loan associations for economic development of farmers was therefore rejected.

Table 4.2: Factors that Influence the Level of Participation of Members in Thrift and Loan Association

Variable	Coefficients	Standard Error	T-Value
Constant	3398.929*	1999.460	1.700
Age(X1)	-1828.970	2699.770	-0.677
Sex(X2)	426.465	623.683	0.684
Occupation(X3)	3099.834	4376.200	0.708
Household Size(X4)	0.042***	0.0103	4.078
Educational Level(X5)	0.028*	0.015	1.867
Farm Income(X6)	0.046***	0.014	3.286
Non-Farm Income(X7)	0.203***	0.076	2.671
Interest Rate Charged(X8)	0.956*	0.558	1.713
R-Square	0.667		
Adjusted R-Square	0.647		
F-Value	32.749***		

***Significant at 1%, **Significant at 5% and *Significant at 10%

Source: Field survey, June 2015

4.3 Constraints faced by Members of Thrift and Loan Associations

The constraints faced by members of thrift and loan associations are presented in Table three. It was found that about 42% of the respondents ranked high cost of farm inputs as the major constraints.

Also about 35% of the respondents ranked inadequate capital as the second constraints. Also, about 30% and 26% of the respondent's ranked poor access to loan and high interest rate as third and fourth constraints respectively. During the interview session with the officials of thrift and loan associations, the majority about 75% see the interest rate charged as a means to discourage the low level farmers from applying for loans. Since their output cannot generate a meaningful amount of money to pay back loans at the end.

Illiteracy and government interference was ranked by 4% and 1% of the respondents as fifth and sixth constraints respectively. It indicates that high cost of farm input ranks foremost followed by inadequate capital, poor access to loan, high interest charged, and illiteracy level and government interference amongst the members of Sacco's respectively. This finding agrees with that of Hyun (2008) and Tekana & Oladele (2011) who observed that high cost of farm inputs, inadequate capital, poor access to loan, high interest rate charged, illiteracy level and government interference were among the constraints faced by members of cooperative societies.

Table 4.7: Constraints faced by Members of Savings and Credit Cooperative Societies

Constraints	Frequency	Percentage	Rank
1.High Cost of Farm Inputs	149	42	1 st
2. Inadequate Capital	105	35	2 nd
3. Poor Access to Credit	77	30	3 rd
4. High Interest Rate Charged on Credit	29	26	4 th
5. Illiteracy Level	16	4	5 th
6.Government Interference	2	1	6 th
Total	378	100	

Source: Field survey, June 2015

Multiple Response*

5.0 CONCLUSION and RECOMMENDATION

5.1 Conclusion

Thrift and loan associations exist and are playing a key role in reducing poverty among farmers in rural areas. Thrift and loan associations render support services to her members to help improve the output and economic status of farmers for development in the area. However, more room for improvements should be created,

5.2 Recommendations

- i. Thrift and loan association should be supported to grow their wealth sufficiently through accumulation of enough institutional capital to finance funded assets, provide cushion to absorb losses, link up farmers with sources of input production thereby reducing poverty among members.
- ii. Thrift and loan associations should make more loans available to members, so that farmers could expand for large scale farming and also mechanized farming. This would help improve their standard of living and reduce poverty.

iii. Efforts should be made by non-governmental Organization and local government council in the areas to boost the income diversification practices of farmers through provision of infrastructure especially roads. This could enhance the level of farm and non-farm activities that could generate more income for the household and thereby help to reduce poverty among the respondents.

iv. Since thrift and loan associations cannot provide the entire needed fund for the respondents, farmers should be encouraged to diversify their livelihood activities by engaging in non-farming activities in order to increase family income.

REFERENCE

- Adedayo, A. and Yusuf, O. R. (2004). Cooperatives and Poverty Alleviation in Rural Settlements of Kwara State, Nigeria. *Savanna*, 19(2): 123-131.
- Adegbite, D.A. & Oluwalana, E.O. (2004): "Revolving loan Scheme as a Poverty Alleviation Strategy: A case Study of Women Groups in UNAAB Extension Villages. *FAMAN Journal*, 7 (2): 18-32.
- Adewakun, A. (2012), Cooperative as tool for enhancing financial inclusion, *African Newspaper of Nigeria*, Oct.13, P1.
- Basu A., Balvy R. & Yulek, M. (2004). Microfinance in Africa: Experience and Lessons from International Monetary Fund. *An International Monetary Fund Working paper*.
- Bzugu, P.M., Gwary, M.M. & Idrisa, Y.L. (2005). Impact of Extension Services on Rural Poverty Alleviation among Farmers in Askira/Uba Local Government Area of Borno Sate. Shael Analyst, *Faculty of Management Sciences, University of Maiduguri. Food Policy*, 26(4): 96-103.
- Elsie, Y.S. (2006). *Gender and Women Participation in Bamboo-based Rural artisanal Industry and its Impact on Rural Livelihood – a Case Study in Yunnan, China*. INBAR, a US based NGO.
- Geoffrey, N. C. (2004) Factors Affecting Smallholder Farmers' Adoption Of Soil And Water Conservation Practices In Zambia . An M.Sc Thesis of the Department of Agricultural economics, Michigan State University , USA.
- Hyun, H. (2008). *Has Inflation Hurt the Poor? Regional Analysis in the Phillippines*, ADB.
- International .Labour. Organization (ILO). (2003). *Tanzanian women enterpreneuers, going for growth*. Geneva: International labour house.
- Magbagbeola, J.A.O., Adetoso.J.A. & Owolabi, O.A. (2010). Neglected and underutilized species (NUS): A panacea for community focused development to poverty alleviation/poverty reduction in Nigeria. *Journal of Economics and International Finance*, 2(10):208-211.
- Ojo, O. (2009). *Impact of microfinance on entrepreneurial development: the case of Nigeria: The International Conference on Administration and Business*. ICEA - FAA, 14th – 15th, November. The Faculty of Business and Administration University of Bucharest. Retrieved from <http://conference.faa.ro>
- Oluyombo, O. O. (2010). Assessing the Impact of Savings and Credit Cooperatives among Monthly Income Earners. *Journal of Research in National Development*, 8(2b): 407-415.
- Tekana, S.S. & Oladele, O.I. (2011). Impact analysis of Taung irrigation scheme on household welfare among farmer s in the North-West province, South Africa. *Journal of Human Ecology*, 36(1): 69-77.