

Analysis of Alternative Banking Methods among Rural Farming Households in Delta State, Nigeria

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Abstract

The study focused on the alternative banking methods among rural farming households in Delta State, Nigeria. The study also examined the rural farming households' constraints to their choice of banking methods in the State. Samples for the study were obtained using multistage sampling techniques (procedure) in random selection of local government, communities and rural farming households. Firstly, three local government areas each were selected from each of the three agricultural zones in the state making up to nine (9) local government areas from the twenty-five (25) local government areas. Secondly, two communities from each of the local government areas were selected, making it up to 18 communities. Finally, twenty rural households were randomly selected from each of the sampled communities making it up to three hundred and sixty rural households. Only three hundred and twenty (320) respondents were utilized for this research study. The study reveals that primary education with household size of 10 persons dominated the rural farming households in the State. The mean age of respondents in the state is 46 years engaging in farming activities and dominated by female headed households. Most rural farming households were married engaging mostly in arable crop production and livestock production. Most rural farming households are engaged in mobile banking called Osusu and commercial banking, while Agricultural banking was lacking in the area. Most respondents strongly agreed that the processes of loan acquisition in convectional banks are discouraging and convectional banks loan attract more percentages compare to mobile banking. The choice of mobile banking may have been due to easy accessibility to loan acquisition for their farming activities. The study therefore recommends that unorganized banking should be encouraged by Government agencies in terms of policies for smooth operations. The study also recommends that convectional banks should be closer to the rural farming households with easy access to their loan facilities for farming operations.

Keywords: Banking Method, Rural Household, Delta State, Nigeria

INTRODUCTION

Rural smallholders and landless farm labourers, usually the poorest members of the society, are often marginalized in terms of access to land and water resources, information, marketing, infrastructure, farm credits and inputs (Walkins, 2003).

Credits is an important input in agricultural development, credits is defined as the process of obtaining control over the use of money, goods and services in the present, in exchange for promise to repay at future date. Credit is also the transfer of purchasing power to the entrepreneur say a rural farmer without which development cannot take place. It has been observed that poor rural household in developing countries lack adequate access to credit production to improve their living standard.

The word bank and banking involves the processes of saving and lending money for improvement of standard of living and general well being. The general roles of banks either informal or formal cannot be over emphasized in that they perform immediate functions between savers and those in need of credits (Smiths, 2002).

Iganiga and Asemota (2008) reported that rural banking system in Nigeria is dualized consisting of formal banking system which are organized by formal institutions and informal (unorganized) banking system. Both systems provide savings and credits to the growing population mostly in the rural areas. The United Nation (2004) reported that the growing population is about 6 billion of which about 52% lives in the rural areas.

Credits in form of loan from banks are needed for agricultural production for sustenance of lives and to avoid food insecurity situation especially in Delta State. The processes of loan acquisition from banks tends to be cumbersome hence this study to determine the banking method mostly adopted by rural households in Delta State.

Methodology

The Study Area

Delta state, located in the South - South geopolitical region of Nigeria was created on the 27th of August 1991 out of the former Bendel state. At inception, Delta state was made up of twelve political divisions called Local Government areas (LGA's), later increased to 19 in 1996. Presently there are 25 local government areas in Delta State. (Delta state gov., N.D). The state occupy a land mass of about 17,163 square kilometer with a population of about 4,098,398 persons (NPC, 2006).

Geographically located within Longitudes 5° and 6.4°E and $5^{\circ}00'$ and $6.30'$, the state is bounded Northwards by Edo state, on the East by Anambra State, on the South East by Bayelsa state and on the South west by the Bight of Benin which covers approximately 160km of the states coastline, (Delta state gov., N.D). Southern parts of the state which is transverse by numerous flat floored rivers that drain into the Atlantic ocean is generally low lying without remarkable hills, consisting of unconsolidated sediments of quaternary age. Some hills can be found northwards within the LGA's of Ika and Aniocha. The major rivers include the Niger River, Ethiope, Warri, kiagbodo (Aweto, 2002). Drainage is done in the eastern flank by the Niger River via its several distributaries such as the forcados, escravos, and the Warri rivers and creeks such as the Bomadi creek. Rivers Jamieson and Ethiope rise from the north and northeast respectively subsequently join and form the Benin River which eventually drains into the sea in the west. (online Nigeria,2003.)

Delta state shares similar climatic features with other states in the Niger-delta. The general climate is characterized by a long rainy season from March/April through October. The climate in Delta state shows latitudinal fluctuation in humidity ranging from the humid tropical in the south to the sub-humid in the north east. Lessening humidity towards the north is accompanied by an increasingly marked dry season (online Nigeria, 2003)

Method of Sampling / Sampling Size

Multistage sampling procedure was used in random selection of local government areas, communities and rural households for the research study. Firstly, three local government areas each were selected from each of the three agricultural zones in the state making up to nine (9) local government areas from the twenty-five (25) local government areas. Secondly, two communities from each of the local government areas were selected, making it up to 18 communities. Finally, twenty rural households were randomly selected from each of the sampled communities making it up to three hundred and sixty rural households. Only three hundred and twenty (320) respondents were utilized for this research study.

RESULTS AND DISCUSSION

Socio-economic Characteristics of Respondents in Delta State, Nigeria

Primary school level of education dominated the state with large household size of 10 persons. The mean age of respondents in the state is 46 years engaging in farming activities and dominated by female headed households. Most rural farming households were married engaging mostly in arable crop production (46.4%) and livestock production (162%) respectively. The socio-economic characteristics of respondents are shown in Table 1.

Distribution of Respondents According to Banking Methods in Delta State, Nigeria

Most rural farming households are engaged in mobile banking called Osusu (45.5%) and commercial banking (22.5%) while Agricultural banking was lacking in the area. The choice of mobile banking may have been due to easy accessibility to loan acquisition for their farming activities. The distributions of respondents according to banking methods in Delta State are shown in Table 2.

Distribution of Rural Farming Households Constraints to their Choice of Banking Methods in Delta State.

Most respondents (62.8%) strongly disagreed that convectional banks are closer to the rural farming households in Delta State while only 6.3% strongly agreed that convectional banks are closer to the rural farming households in Delta State. Most respondents strongly agreed that the processes of loan acquisition in convectional banks are discouraging and convectional banks loan attract more percentages compare to mobile banking are 48.1% and 39.7% respectively. While those respondents that strongly agreed that the processes of loan acquisition in convectional banks are discouraging and convectional banks loan attract more percentages compare to mobile banking are 5.3% and 5.3% respectively. Most respondents agreed that unorganized financial institutions loans attract lower interest percentages (30.6%) and easily accessible without difficulties (31.9%) in the State. This must have resulted in their choice of mobile banking method called Osusu in the State. The distribution of rural farming households constraints to their choice of banking methods in Delta State are shown in Table 3.

CONCLUSSION AND RECOMMENDATIONS

The study reveals that primary education with household size of 10 persons dominated the rural farming households in the State. The mean age of respondents in the state is 46 years engaging in farming activities and dominated by female headed households. Most rural farming households were married engaging mostly in arable crop production and livestock production. Most rural farming households are engaged in mobile banking called Osusu and commercial banking, while Agricultural banking was lacking in the area. Most respondents strongly agreed that the processes of loan acquisition in convectional banks are discouraging and convectional banks loan attract more percentages compare to mobile banking. The choice of mobile banking may have been due to easy accessibility to loan acquisition for their farming activities. The study therefore recommends that unorganized

banking should be encouraged by Government agencies in terms of policies for smooth operations. The study also recommends that convectional banks should be closer to the rural farming households with easy access to their loan facilities for farming operations.

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Table 1: Socio-economic characteristics of Respondents

Variables	Frequency	Percentages %
Age (Years)		
39 & below	57	17.8
40 – 49	102	31.9
50 – 59	123	38.4
60 – 69	38	11.9
70 & above	0	0.0
Mean	46 years	
Gender		
Female	174	54.4
Male	146	45.6
Mode	Male	
Marital Status		
Single	42	13.1
Married	189	59.1
Widow	66	20.6
Divorced	23	7.2
Educational Level		
Informal	90	28.1
Primary	127	39.7
Secondary	57	17.8
Tertiary	46	14.4
Mode	Primary	
Household size		
2 – 5	21	6.6
6 – 9	66	20.6
10 – 13	123	38.4
14 – 17	70	21.9
Mean (persons)	10	
Occupation		
Arable Crops Production	287	46.4
Cash Crops Production	68	11.0
Livestock Production	100	16.2
Artisan	42	13.1
Salary Jobs	69	11.2
Petty Trading	52	8.4
Mean		

Source: Field survey data, 2013; Observed Multiple Response in Occupation

Table 2: Distribution of Respondents According to Banking Methods

Banking Methods	Frequency	Percentages (%)
Commercial Banks	95	22.5
Micro-finance Banks	24	5.7
Cooperative Society and Credit Union	79	18.7
Money Lenders	32	7.6
Mobile Bankers (Osusu)	192	45.5
Agricultural Bank	0	0
Total	422	100

Source: Field survey data, 2013; Observed Multiple Response

Table: 3 Rural Farming Households Constraints to their Choice of Banking Methods

Statements	SA	A	U	D	SD
Convectional banks are closer to rural farming households	20 (6.3%)	15 (4.7%)	28 (8.7%)	56 (17.5%)	201 (62.8%)
More secure savings in convectional banks	88 (27.5%)	112 (35.0%)	43 (13.4%)	37 (11.6%)	40 (12.5%)
Higher volume of loan are release by convectional banks at a time	30 (9.4%)	45 (14.1%)	197 (61.6%)	28 (8.7%)	20 (6.2%)
Convectional banks loan are easily accessible without difficulties	8 (2.5%)	10 (3.1%)	28 (8.8%)	43 (13.4%)	231 (72.2%)
Processes of loan acquisition in convectional banks is discouraging	154 (48.1%)	76 (23.8%)	50 (15.6%)	23 (7.2%)	17 (5.3%)
Convectional banks loans attract more interest percentages	127 (39.7%)	54 (16.9%)	97 (30.3%)	25 (7.8%)	17 (5.3%)
Unorganized financial institutions are safe and trustworthy	30 (9.4%)	48 (15.0%)	21 (6.6%)	156 (48.7%)	65 (20.3%)
Unorganized financial institutions loans are easily accessible without difficulties	87 (27.2%)	98 (30.6%)	32 (10.0%)	63 (19.7%)	40 (12.5%)
Small amount of loans are available at a time in unorganized financial institutions	163 (50.9%)	79 (24.7%)	9 (2.8%)	42 (13.1%)	27 (8.4%)
Savings in unorganized financial institutions is easy	36 (11.3%)	52 (16.2%)	15 (4.7%)	115 (35.9%)	102 (31.9%)
Unorganized financial institutions loans attract lower interest percentages	84 (26.2%)	102 (31.9%)	14 (4.4%)	61 (19.1%)	59 (18.4%)

Source: Field survey data, 2013

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