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Breaking the vicious circle of poverty in rural Nigeria : the case of financial self-help groups in Enugu State

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BREAKING THE VICIOUS CIRCLE OF POVERTY IN RURAL NIGERIA: THE CASE OF FINANCIAL SELF-HELP GROUPS IN ENUGU STATE

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CERTIFICATION

URAMA, Kevin Chika, a postgraduate student in the Department of Agricultural Economics and with Registration Number PG/MSc/PhD/14490, has satisfactorily completed the requirements for course and research work for the award of the degree of Master of Science in Agricultural Economics.

The work embodied in this project is original and has not been submitted in part or full for any other Diploma or Degree of this or any other University.

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SUPERVISOR

9/9/97
DATE

DR. E. C. NWAGBO
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09 - 09 - 97
DATE

DEDICATION

This work is dedicated to the Congregation of the Holy Spirit, Providence of Nigeria, who have instilled in me the respect for the highest principles of human behaviour and to the CODESRIA Small Grants Programme for Thesis Writing, who funded the research project.

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ABSTRACT

The main aim of this study is to determine the effects of Financial Self-Help Groups on poverty alleviation in rural Nigeria through Rural Development Projects financing in areas where they exist.

Both primary and secondary sources of data were utilized. Secondary data were obtained from a review of existing relevant literature and official publications, while primary data were generated by field surveys involving the administration of two sets of structured research questionnaires - one set on 30 randomly selected Financial Self-Help Groups (FSHGs) and the other set on 150 individual members randomly selected across the groups sampled. The data was analysed using simple descriptive statistics and correlation analyses.

The results of the study showed that most rural individuals belonged to not less than 2 variants of FSHGs within their locality. This multimembership coupled with multiple contribution techniques, which were rampant among members, were found to have significant influence on savings and investment potentials of the rural poor. Even though specific group membership were restricted to manageable sizes, these habits (ie. multimembership and multiple contribution techniques) afforded members unlimited opportunities to save and/or invest within the group projects.

Membership to these FSHGs thus induced productive investment at both individual and group project levels. The correlation analyses reveal that membership to these FSHGs was positively linearly correlated with savings mobilization, capital accumulation and individual investment potentials of the rural poor. The funds thus saved and/or accumulated was found to be correlated with members' propensities to engage in Group Poverty alleviation schemes (funding productive investments) in a positive linear fashion.

These group-induced investments were also positively linearly correlated with factor productivity and net income of members.

Even though some poverty perpetrating features (surplus consumption, underemployment of labour and other resources, extended family system with the consequent increased burden on productive individuals, inclement macro-economic and political policies, unfavourable institutional framework etc), these FSHGs was found veritable in the attempts of the Nigerian rural poor to break the vicious circles of poverty through self effort. They are well adapted to the micro-economic milieu of the rural poor and their effect of productive investments for increased productivity, net incomes and per capita incomes of members was positive. The paucity of funds from other sources of investment fund was striking.

It was therefore recommended that possible linkage programme(s) between FSHGs and formal financial intermediaries (banks) be explored further in order to enhance more productive investments in rural Nigeria to extents that would break the poverty cycles therein. This is akin to the theory of the "Big Push" that was propounded by Rosentein Rodan in 1943.

Such a linkage would also bring FSHGs into greater relevance and effectiveness by increasing their opportunity to access larger sums for more profitable investments on poverty alleviating projects in rural Nigeria.

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1.0 INTRODUCTION

1.1 Background Information/Problem Statement

Recent economic reforms and development programmes in Nigeria have drawn greater attention to the pressing need for rural sector transformation. This has given rise to greater emphasis on integrated Rural Development Approach as a major variant of Rural Development planning in Nigeria. This derives from the fact that the Nigerian Rural Sector occupies a central position with respect to primary (agricultural) production, labour force and population dynamics. At the moment, over 75% of Nigeria's population live and work in the rural areas (F.O.S., 1991).

Empirical evidence has shown that the Nigeria's rural areas are caught up in a web of factors economic and non-economic, which act in concert with the ailing macro-economic environment, to trap it down in the vicious circle of poverty (Ijere, 1992). Prominent among such "poverty-trap" factors is their savings and investment behaviour which is an incidental consequence of their relatively high propensity to consume (Ekuwen, 1985).

In lieu of the above, successive Nigerian governments have made attempts to break this vicious circle of poverty through various programmes meant to boost rural savings mobilization, capital accumulation and investment in primary (agricultural) production in her rural villages. Excerpts of such programmes are Supervised Agricultural Credit Schemes (1987), Rural Banking Scheme (1977), Community Banking Scheme (1992) and various rural infrastructural incentive schemes like Directorate for Food, Road and Rural Infrastructure "DFRRI" (1987) all aimed at improving the savings and investment habits of the rural poor. These have met with minimal success (Okorie and Miller, 1978; Nweze, 1990). Instead of encouraging productive investments in primary producing assets (agriculture), these programmes have merely succeeded in mobilizing savings deposits and other chequable deposits in banks and the accumulation of capital intensive assets which are largely unproductive in developing economies.

This led to the cash glut (excess liquidity) in most Nigerian banks in the late 1980s (Tony, 1989). For instance, between 1989 and 1990, aggregate money supply expaned by 44.9% (CBN, 1990). This is because these financial intermediation programmes were faced with the nagging problem of ensuring credit effectiveness in a sociological set up where government properties and financial assistance are erroneously considered as "booties" (Arene, 1992).

Thus, the precarious performance of the rural economy in Nigeria has been linked not to savings and capital accumulation, but largely to the low propensities to invest among the rural poor (Cropp et al, 1989). Empirical evidence abound indicating that various informal financial self-help organisations have potencies of not only mobilizing savings and accumulating capital among the rural poor but also channelling these to productive investments (Eboh, 1993). Rural savings and credit associations (ROSCA) is the most widespread variant of these organisations in Nigeria (Seibel and Damachi, 1982; Ijere and Miller, 1990; Nweze, 1990; Urama, 1992). Among the popular services rendered by ROSCA are: pooling and distributing savings, granting loans, intermediating reciprocal obligations such as labour exchange facilitating peer intercourse as well as increasing employment and output (Okorie and Obeta, 1986; Slover and Cuevas, 1992). By pooling their resources they are able to make regular investments than any of them could expect to make individually and as such, are able to build up a safer and more profitable portfolio than they could expect to own as individuals (Stiegeler, et al, 1976). These services, the entire fabric of these groups have critical implications for rural finance in the country and their general impact on the microeconomy of members are positive (Eboh, 1993).

In lieu of these empirical evidence on the socioeconomic conditions of the rural poor; the continued lack of inducement to invest and the institutional failure of our formal financial intermediation programmes, it seems plausible that the savings, capital accumulation and investment habits of rural individuals, as evidenced by members of Rural Financial Self Help Groups (RFSHG) be understood, in content and in detail. This under-standing will enhance better policy measures on expanding the investment portfolio of the rural poor masses through these groups for them to be brought into greater relevance and effectiveness. This may be a sure way of breaking the demand side of the poverty circles by increased investment among the rural poor. The multiplier effect of such will be encouraging.

1.2 Objectives of the Study:

The broad objective of the study is to examine the impact of rural financial self-help groups on poverty and income distribution in rural Nigeria. The specific objectives are to:

(i) review some poverty-linked characteristics of Nigeria's rural dwellers;

(ii) examine the impact of RFSHG on propensities to save, invest and/or consume among rural members;

(iii) examine the impact of group-induced investments on increased productivity and net income of members;

(iv) determine some poverty perpetrating features of the rural poor; and

(v) suggest policy measures to alleviate poverty and narrow the degree of income inequality in rural Nigeria.

1.3 Research Hypothesis:

The null hypotheses to be tested include that:

(i) socio-economic characteristics of rural dwellers do not affect their propensity to save, invest and/or consume;

(ii) rural financial self help groups have no impact on member's propensity to save, invest and/or consume;

1.4 Scope of the Study:

The focus of this study is on Rural Financial Self-Help Groups that exist in the study area with a view to achieving the set objectives.

However, the emphasis will be on Esusu clubs, Age Grades and Family Unions. This is purposive since the activities of of other variants of FSHGs prevalent in Nigeria like village/ clan associations, masquerade groups et cetera, bear very little on savings and credit and other forms of rural financial intermediation (Ijere, 1990). Also, daily savings groups, where they occur are sporadic and limited to a few urban areas where the participants do not hold meetings and thus cannot be referred to as groups, clubs or associations (Ijere, 1990).

This study will therefore, focus on the rotating and non-rotating systems of savings/credit on self-help basis as found within Esusu clubs, Age grades and Family unions in Enugu State.

1.5 Justification of the Study:

In Nigeria, greater percentage of the population make up the rural sector which is known to be predominantly caught up in a web of factors which trap it down in the vicious circle of poverty. Poverty linked characteristics of the rural masses derive mainly from their low propensities to save and invest and their high propensity to consume with the resultant effect of low productivity and income among rural dwellers.

Concerted efforts by government to alleviate poverty through formal financial intermediation programmes have met with little success, while some indigenous self help organisations have proved veritable in improving the savings and investment potentials of the rural poor in Nigeria. From *a priori* expectation, improving savings and productive investment is a sure way to increasing the income level of investors (cf. the investment multiplier In: Dernburg, 1980).

It is thus hoped that the findings of the study will be of immense benefit to policy makers, researchers and development agencies in proffering measures for effective mitigation of poverty in rural areas on self help bases.

1.6 <u>Limitations of the Study</u>:

The results of this research work should be interpreted with the following limitations in mind:

(a) Data collection took place among rural individuals who were hardly literate enough to give accurate values of their income, savings and investment. Most of the respondents were not disposed to divulge information on their investment habits since they described it as "prying into their most coveted personal matters". Also, a few demanded remunerations before they responded to questions. Thus savings and investment figures used here might be a little biased.

(b) Considering the amount and type of information sought, the time available for this study was rather short. Collecting data on individual members' income, savings and investment required a longer period of time; at least two years. Over this period of time, farm income, consumption and investment of rural individuals would have shown sufficient variability particularly with respect to seasons, inflationary trend and fluctuations in farm product prices.

(c) The data on use of savings and credit relied partly on respondents' memory recall, since records were hardly kept, and cannot be regarded as absolutely accurate.

(d) The informality of the Rural Savings/Credit Clubs (RFSHGs) precludes proper investigation and some active groups may have been left out at the sampling stage. Consequently, the sampling procedure may not be error proof.

These limitations notwithstanding, the results of this research would satisfy the objectives of the study and even help in the identification of points of departures for further enquiry on the subject.

1.7 Plan of the Study:

This research report is presented in five chapters. Chapter one presents the background information, problem statement, objectives of the study, research hypotheses, scope of the study, its justification and limitations. Chapter two embodies a review of relevant literature on Rural Financial Self-Help Groups with respect to its historiogeographic spread, types and nomenclature, financial intermediation process and investment activities, savings mobilization potentials and its relevance to poverty alleviation and rural development.

Chapter three deals with the methodology used for the selection of respondents, data collection and analysis. Chapter four presents the research results while chapter five presents summary of major findings, recommendations and conclusions made from the findings.

CHAPTER TWO

2.0 LITERATURE REVIEW

The organisational structure, character and operation of Financial Self-Help Groups (FSHGs) found in rural areas have been documented to some extent by such writers as Johnson (1921), Bascom (1952), Ardener (1953), Isong (1958), Kurtz (1973), Bouman (1977), et cetera. But since the Esusu were not for these writers a central theme of their work, much remains to be documented about their organisation, operation and economic performance (Okorie and Miller, 1976). More recently, Okorie and Miller, (1976); Nweze, (1990); Slover, (1991); Shipton, (1992); Schrieder, (1992); Danjuma, (1993); and Eboh, (1993) to mention just a few have documented a more focused study on such groups among rural farmers but with little emphasis on their impact on income distribution and poverty alleviation in areas where they exist.

An attempt will be made to review available literature on the subject with respect to its historio-geographic spread; types and nomenclature; financial intermediation and investment activities; savings mobilisation potentials vis-a-vis other facets of rural finance and its relevance to poverty alleviation and rural development planning and policy formulations.

2.1 Financial Self-Help Groups: A Historio-geographic Spread

From time immemorial, Africans have recognised the economic benefits of self-help either in the forms of monetary contributions or in the form of labour exchange in farms (Ijere and Miller, 1978). As a result of interdependence in life, the people organise themselves into economic and social clubs to help one another in solving common problems (Ijere and Miller, 1978). These arrangements constitute an important ancestrial heritage which "living" generations must bequit to "coming" generations, (Eboh, 1993). In Eastern Nigeria, this clubbing culture is commonly expressed in the proverbial saying that:

> "Anyuko mmamiri onu, ogbo ufufu" translated to mean that "togetherness (pooling of efforts) gives mutual strength and greater results"

Generally, these clubs are widespread among various ethnic groups in developing countries.

In Asia, various forms of informal FSHGs were documented as early as 1899 (Ardener, 1964). In China, Fei (1930) also reported the existence of such clubs. Fredman (1957) gives a detailed account of one of such associations among the Chinese in Sarawak. A full description of the role they play in Java is given by Geertz (1962), and Ardener, (1964) opined that they are also found in Timor, the Philippines and Hongkong.

In India, a type of FSHG known as "Kometi" (probably from the English "committee") started among women at about the turn of the 19th century and is still found to date (Ardener, 1964); Geertz, 1962). Rural Financial Self-Help Groups (RFSHGs) are also evident in Europe. Jeffery (1951), Kuper and Koplan (1944) stated that such associations existed in some minning districts of England which were organized for the mail-order purchase of some personal items which were normally very large items in low income groups.

In Africa, FSHGs are known to have existed in Central, Eastern and Southern Africa. In West Africa, variants of such groups abound (Ijere and Miller, 1978; Seibel and Marx, 1984).

Financial Self-Help Groups (e.g. the Isusu) have been described as the most widespread form of self help organisations in Nigeria (Seibel and Marx, 1964; Ijère, 1988). According to Okorie and Miller, (1976), about 63% of the adults among Afikpo-Igbo of Imo State were members of contribution clubs – the Isusu. Two other studies by Seibel, (1984) and Monikes, (1970) also reported that it was hard to find an adult Igala in rural areas who was not member of a Self-Help Group (ie Savings and/or Credit Clubs).

Generally, the Igbo people are noted for their historic embrace of mutual support philosophy (Eboh, 1993). Infact, the belief in the greater strength of group action, expressed in the popular Igbo saying: "Igwe Bu Ike" meaning "many is strength", is deeply entrenched in their traditional culture. As far back as 1934, village studies revealed indigenous associations organised for mutual help among the Igbos (Green, 1947). Ten years later, they were found to have proliferated (Green, 1963); Otternberg, 1968). This prolific nature was confirmed by subsequent research findings, (Okorie and Miller, 1976; Okorie and Obeta, 1986; Ijere, 1990; Nweze, 1990).

2.2 Financial Self-Help Groups: Types and Nomenclature

Two major types of indigenous FSHGs (ie savings and/or credit associations) have been documented, namely; the rotatory savings clubs (cycle savings clubs) and the non-rotatory savings clubs (Miracle _et al_, 1980; Miller, 1974; Bouman, 1977; Seibel and Damachi, 1982; Ijere, 1990), and have been designated by various appellations. Other variants of savings clubs have also been documented depending on the basis of taxonomy used in each locality (Seibel and Marx, 1984). Noteable variants of these clubs that they reported in their study of Igala-land in 1984 are:

1. Rotating Savings/Credit Association;
2. Non-rotating Savings/Credit Association;
3. Family or Clan Savings/Credit Association;

4. Community Savings/Credit Association;
5. Special Purpose Savings/Credit Club, and
6. Saving-in-kind Association.

However, Ijere, (1990) noted that whatever the type, name and location, the distinctive feature of these groups is the accumulation of savings and flexibility in responding to different needs of members.

In terms of nomenclature, Rural Financial Self-Help Groups are known by various appellations. For instance, in Liberia, they are known as "Esusu" (Ijere, 1990), while in Gambia and Sierra Leone, they are known as "Osusu" and "Asusu" respectively. In Senegal and Ivory Coast, they have such names as "Tontine" and "Diaou Noni" respectively while in Cameroon, they go by such names as "Njangi", "Djungi", "tontine" or "bank".

In Nigeria, there are as many names as there are ethnic groups. Notable ones are:"Esusu" or "Ajo" among the Yorubas, "Isusu" or "Otutu", (sometimes, "Utu") among the Ibos, "Osusu" among the Edos, "Adashi" among the Hausas, "Dashi" among the Nupes, "Efe" among the Ibibios and "Oku" among the Kalabari Ijaws (Okorie and Miller, 1976).

These names are synonymous to those found in the rural committees of other parts of the world such as "Ketu" of the Negri Sambilian Malaysia, the "cheet" of the Mouritian Indians, "Komiti" of the Maori communities in Newzealand , and the

"KE societies" in Korea.

2.3 Financial Intermediation and Investment Activities of Financial Self-Help Groups (FSHGs)

Many FSHGs have metamorphosed into veritable and popular channels of financial intermediation while yet retaining many other socio-cultural roles on which they were traditionally founded (Eboh, 1993).

Broadly defined, rural financial intermediation includes all the mechanics and processes involved in providing channels for the accumulation and use of savings; the sourcing and allocation of investments capital, as well as the flow and holding of funds in the rural sector (Eboh, 1993).

These FSHGs have been variously described as veritable channels for mobilizing (pooling) savings; distributing and appropriating group funds as well as effeciently managing their investment portfolio to levels of economic relevance (Wadehn, 1986; Ijere, 1990; Nweze, 1990a). According to Wadehn, (1986), some of the capital investments into which savings made by members of traditional groups can be channelled include: purchase of land and basic equipment for small craft enterprises, purchase of livestock, machinery et cetera. Recent studies carried out in Ohafia Local Government Area of Abia State, Okija Local Government of Anambra State and Enugu-Ezike of Enugu State confirmed that over 60% of savings fund mobilized in these groups were invested in agriculture (Etea, 1992;

Urama, 1992; Eboh, 1993). As reported by Ijere, (1990); "the use of funds" for personal needs is common, so also is its use for durable goods such as sewing machines, seeds and seedlings but of more significance especially in rural areas, is the use of funds for investments in agriculture. Bouman and Hartevald, (1976) reported the use of funds from fixed funds associations for investment in agricultural machinery, processing equipment or transport vehicles in Cameroon. In the same vein, Harmer, (1970) reports a common use of the lump sum of cash among farmers in Ethiopia for the purchase of ensete seedlings in the period preceding planting. Similar use of savings to purchase grain-grinding mill is reported for parts of Benin and Ethiopia (Harmer, 1970).

It is therefore argued that these informal institutions are the only ones that are accessible to small-scale producers (the rural poor) for the much needed capital mobilization and investment at the grassroot level (Ijere, 1990).

2.4 Savings Mobilization Potential of Rural Financial Self-Help Groups

Adams (1992) specifically identifies ten types of informal finance: money-lenders, merchants, pawnbrokers, loan brokers, landlords, friends and relatives, money guards, savings groups and rotating savings and credit associations (Roscas).

Of all these types, rural self-help organisations such as the "Isusu" have recorded tremendous success in mobilizing savings, capital formation, and investments in areas where they exist (Ijere, 1988). Nweze (1990) also opined that Rural Savings and/or Credit Clubs constitute one of the most widespread type of self-help organisation in the third world and assists members in small-scale capital formation. These groups have the major attribute of uniting the local people to identify their needs and mobilize their own resources to meet these needs, thus, providing for themselves, what the central authority (ie the Government Agencies) cannot provide (Ijere, 1987).

Several studies carried out recently by (Ijere and Miller, 1978; Obeta, 1986; Ijere, 1990), all reached the empirical conclusion that, the "Isusu" are the rural poor's greatest strength in savings and capital formation and therefore deserves a place in the future economic development programmes of countries where they exist. For instance, 60% of members of Rural Savings Clubs in the Aba saved 92.75% of their contribution fund while 21.96% of Anambra contributors saved 66.40% of their money (Ijere and Miller, 1978). This high level of savings among members of these clubs is linked to some motivating principles of traditional savings and credit associations in Nigeria which makes it self-stabilizing and self-recommending, (Eboh, 1993). Notable among these principles are:

- Mutual help or reciprocity principle;
- Mutual services principle;
- Equity principle;

- Sow-and-reap principle;
- Discipline-but-easy access principle, and
- Flexibility and openess principle.

According to him, 46.96% of total amount saved by members are mobilized in these clubs while only 15.50% are saved with banks. Of this amount saved with the groups, 66.09% were disbursed for use in financing productive investments while 38.89% are used for precautionary purposes and for consumption smoothing.

2.5 Relevance of Financial Self-Help Groups to Poverty Alleviation and Rural Development

In order to expand incomes among the rural people, stimulation of savings by measures aimed at facilitating direct investments at a discretion of individual investors is imperative (Vicinelli, 1968). This is necessary since idle saving "per se" has no positive impact on the productivity of the saver. Infact, pilling up of idle cash is not necessarily productive savings (Benton, 1970). While it is true by definition that savings are not spent on the current consumption of the saver, it does not follow that they are not spent at all. They may be spent directly by the saver or indirectly by the business firm(s) he/she helps to finance (Benton, 1970).

Economic progress therefore depends largely on the increase of wealth through investment which is in turn dependent on people's propensities to save. According to Benton, (1970), progress depends on the achievement of substantial investments and therefore of substantial savings.

Based on empirical evidence on the ability of these clubs to increase individual member's propensities to save, their investment portolio and management acumen on a self-help basis, they have been ascribed to as one of the veritable ways through which increased productivity could be enhanced in rural areas (World Bank Report, 1990).

In a recent study conducted by Ijere, (1986), about 30% of sampled farmers got their investment fund from money lenders 19% from cooperative societies, 10% from Ministry of Agriculture supervised credit scheme, and 5% from banks while over 40% sourced theirs from FSHGs. Apart from the fact that it is the last resort for small-scale farmers, acquisition of agricultural project fund from Self-Help Groups (SHGs) has the following advantages as itemised by Ijere, (1986); Abe (1981); Belshaw, (1959) and Johnson, (1982):

- Timeliness and devoid of administrative delays;
- Non-requirement of collateral;
- Flexibility in the mode of acquisition, use as well as repayment schedules.

According to Idachaba, (1989) it provides farming households with significant portions of financial resources required for farm operations without resorting to the costly rural capital market dominated by money lenders and other middle men.

Generally, Rural Financial Self-Help Groups show different abilities and capacities of development since there is no uniformity or homogenity of forms or functions of the groups (Seibel and Marx, 1986). While some are solely involved in direct investments in agricultural and developmental projects, others occupy themselves with on-going lending schemes on the rural poor (both members and non-members) to obviate the problems of finance in the rural sectors. In view of the above, Kurtz, (1973) describes the forming of such coalitions as adaptation to rural poverty or relative deprivation, since they respond flexibly to the socio-economic environment of the people concerned.

Infact, such groups based on traditional indigenous forms of collective organisations are advocated as the most appropriate ones for involving the entire population in a balanced process of social and economic development and thus their impact on the micro-economy of members has been positive (Verhagen, 1980).

Summarily, various research surveys in Nigeria have acclaimed Financial Self-Help Groups as one of the most veritable means of integrated rural development (okorie and Miller, 1976; Seibel and Marx, 1986; Nweze, 1990; Ijere, 1992; Eboh, 1993 and, Urama, 1992). Recent studies in Nigeria have reported that variants of such Self-Help Groups abound in all parts of the country and their implications on the micro-economy of members are positive (Nweze, 1990; Eboh, 1993). This derives from the fact that they are mostly informal and consist of prolific, innovative and flexible arrangements that evolve and thrive within the local economic and social milieu of members (Eboh, 1993). Vicinelli (1968) thus suggested that in order to expand incomes among the rural poor, stimulation of savings by measures aimed at facilitating direct investments at a discretion of individual investors is imparative. Thus, it is expected that expanding the investment portfolio of these rural financial Self-Help Groups found in rural areas will go a long way in increasing both incomes and productivity of the rural poor. This is in line with Keynes' investment multiplier (Keynes, 1936), and Paul Rosentein-Rodan's theory of the Big Push (Rosentein-Rodan, 1943).

2.6 Poverty-Linked Characteristics of the Nigerian Rural Sector

Several authors have given insight into the social, economic, cultural and demographic characteristics of the Nigerian Rural Sector which perpetrates poverty in a vicious circle (Daramola *et al*, 1962; Edoziem, 1975; Olatunbosun, 1975; Ogwumike, 1987; Ijere, 1992). At present over 80% of Nigeria's population reside in the rural areas. McNamara (1991) pointed out that there is a high rate of rural poverty in most developing countries and that most rural populations are living in such conditions that are so limited by malnutrition, illiteracy, disease, squalid surrounding, high infant mortality and low life expectancy. This is not unlike the Nigerian rural areas. Daramola et al (1962) and Olatunbosun (1975) described it as the Nigeria's Neglected Rural Majority, lacking in essential amenities such as health centres, good access roads, electricity, modern markets facilities, banks and good schools. Ijere, further described it as "The other Nigeria" with poverty-linked characteristics, lacking enough purchasing power to maintain a minimum standard of living. These poverty-linked characteristics coupled with negligible public sector attention made the rural sector stagnant up till the late nineteen sixties (Anthonio, 1967).

2.7 The Concept of Poverty

(i) Conceptualising Poverty: The Global Perspectives

There have been wide divergencies to the interpretation of poverty from the earliest times and by the middle of the 18th century, quite a good number of "schools" had emerged in Europe and the United States. Meanings tended to be culture-bound as well as ideologically contrasting. It was only in the 20th century that the consistency of meaning across all societies became a critical scientific issue (Townsend, 1993: 27). In the late 20th century, the subject has been taken up avidly in the developed countries and in the third world. (see, for example, the large number of national reports on the first Anti-poverty programmes of European countries 1975-80, and

Government of India planning commission, 1978 and 1985). Whether examples are taken from contemporary books and reports on contemporary conditions (Block et al., 1989), international views (Katz, 1986), specific statistical measures (committee on Ways and Means, 1991) or empirical surveys (Glewde, 1992) the overall testimony to the importance of the subject is impressive. In all cases, divergencies of meaning have reflected divergencies in the methodologies of measurement, modes of explanation, strategies of amelioration and political ideologies.

Nevertheless, during the 20th century, three concepts of poverty (as distinct from the classical income inequality concept) evolved as a basis for international and comparative work (Townsend, 1993). These concepts depend principally on the ideas of subsistence, basic needs, and relative deprivation (Townsend, 1993). These approaches to conceptualising poverty have received much commendation over the years based on the argument that they capture both the physical, economic , environmental and socio-demographic aspects of human life (ILO 1976: 24-5 and 1977, Townsend, 1993, Zuvekas, 1979).

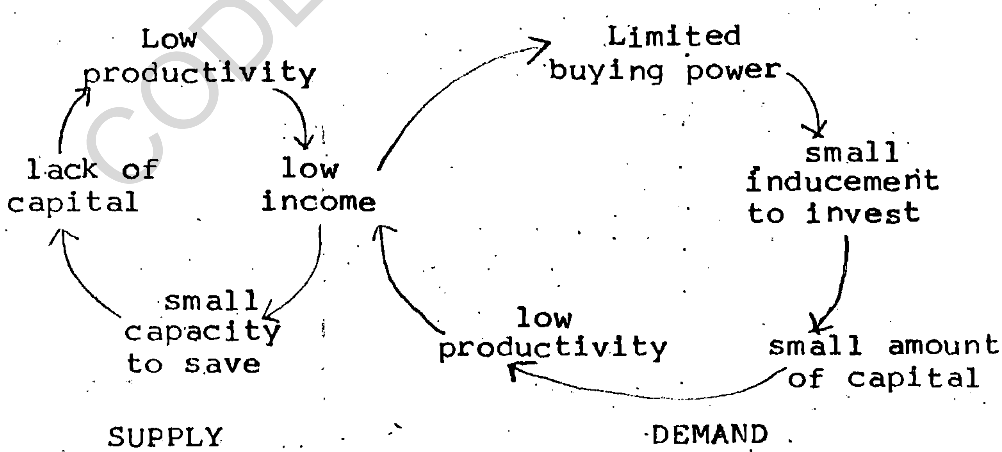
Todaro (1982) therefore defines poverty as low levels of living rather manifested both quantitatively and qualitatively in the form of low incomes, inadequate infrastructural facilities, poor health, limited or no education, low life and work expectancy ,and sometimes, a general sense of hopelessness.

Poverty is therefore defined not only in terms of income but rather as the lack of good nutrition, good health, educational opportunities, and similar dimensions of welfare (Zuvekas, 1979). In the words of Townsend (1993):

> Poverty is best defined as pplying not just to those who are victims of a maldistribution of resources but, more exactly, to those whose resources do not allow them to fulfil the elaborate social demands and customs which have been placed upon citizens of that society and constrains them to over-exploit available limited resources in their "survival struggle". They are mentally, materially and socially deprived in a variety of ways which can be observed, measured and described with respect to their incomes, demographic characteristics and environmental conditions.

Zuvekas, (1979) thus argues that poverty can be evidenced by some basic poverty perpetrating factors as shown in the vicious circule of poverty both on the demand and supply sides, viz:

Fig. 2.1 The Vicious Circle of Poverty



Source: (Zuvekas, 1979)

Despite these conceptualisations, problems still surround opperational definition of poverty. In all cases, a threshold income and/or human conditions has to be conceived, below which individuals, communities or countries are classified as poor. Whether such threshold(s) exist(s) depend(s) on the scientific evidence which can be marshalled out on its behalf in various countries (Townsend, 1979). The controversies that fraught international comparison on income levels and perceptions of basic human needs, further compounds this problem. This controversy culiminates in the "relative" and a "absolute" concepts of poverty in contemporary literature. Yet the distinction between the "relative" and "absolute" concepts of poverty, still has controversial reverberations (Atkinson, 1985; Townsend, 1993).

Nevertheless, the World Development report (1990) prescribes an upper poverty line of US $370.00 per capita per annum as a cut-off for absolute poverty. The World Resources Institute (1992/93) further contends that those having an average annual income of less than US $275.00 are "abjectively poor". These translate to ₦30,340.00 and ₦22,550.00 in Nigeria at ₦82.00 per US $.

People whose consumption falls below that level are considered poor. Going by the basic human needs approach to Development, Poverty should be seen not in terms of income but rather as the absence/lack of good nutrition, good health, educational opportunities, and similar dimensions of welfare (Streeten, 1977).

(ii) Conceptualising Poverty: The Nigerian Perspective

In Nigeria, the concept of poverty has been on individual, group or regional basis, although the last two have been emphasized a lot more to the neglect of the first. Concessions have been made over many years to the"relativity" of meanings of poverty. These writing at a particular point in history have reflected the social conditions prevailing at the time in part if not comprehensively.

Generally, however, the shortcomings of the subsistence and basic needs approaches to the conceptualisation of poverty, and the difficulties of substantiating these approaches in robust empirical terms, have led some Nigerian researchers, scientistis and statistical analysts to the "short-cut" of taking the "rural population" (or that percentage of them that have incomes of less than half the average) as a surrogate for "the poor". "Rural Nigeria" is often described in Nigerian literature as the "poor sector" of the Nigerian economy. Daramola et al., (1962) and Olatunbosun (1975), for instance, describes it as the Nigeria's Neglected Rural Majority, lacking the essential amenities such as health centres, good access roads, electricity, modern market facilities, banks and good schools. To. Q.B.O. Anthoio, (1967), it is the "stagnant sector" in the Nigerian economy. Ijere, (1992) further describes it as "the other Nigeria", with poverty-linked characteristics, lacking enough purchasing power to maintain minimum standard of living. Generally, discussions on poverty in Nigeria, usually brings to focus the prevailing case of low rural incomes.

However, the Nigerian concept of poverty also highlights the absolute aspects of the concept. This is evident in the Nigerian economic society's 1975 Annual conference which did much to discuss and appraise poverty in rural Nigeria. Stemming from the conference, poverty is perceived as existing when incomes or disposable resources are inadequate to support a minimum standard of decent living (Olatunbosun, 1975). Other Nigerian Economists, Mabogunje et al., (1975) and Ijere, (1992) associates poverty with peoples lack of power to influence their environment which manifests in forms of little or no education and barely any access to property or land. Ijere (1992) further opines that the best way to define poverty in Nigeria is to look at the characteristics of the Nigerian poor. In his own words:

> By their looks, you can know them. Whereas the poor American in his dress and use of the latest models of automobiles can easily pass for an affluent, his counterpart in Nigeria is known by his tattered dress, sunken checks, and lack of mobility. He collides with the rich and affluent at cross-roads, and in places of worship. He obstructs highways with his logs of wood on his head, and dramatise his presence by stunning,

> loud rancous music from radio, loud speakers and human throught. He spits on the road and urinates in public in defiance of all passerby. The Nigerian poor are known by their morbid desire to crumble all decent rules, including those which protect them, if at least by so doing, they can bring the rich for once at their knees.

There is an avalanche of definitions in literature that has left the definition of the term "poverty" perspective-specific.

However, the vicious circle as presented by Zuvekas (1979) is a fair representation of the cause-effect dynamics of rural poverty in Nigeria. Empirical evidence show that income levels of the rural dwellers are relatively low with the consequence that they hardly invest in productive activities. The multiplier effect of this is obviously negative. On the other hand, various studies have shown that the rural dwellers have a high propensity to save for both speculative and precautionary purposes especially on group bases (Ijere, 1990; Nweze, 1990; Urama, 1992; Eboh, 1993).

2.8 Poverty and Demographic Trends in Nigeria, 1970 - 1994

The "latest" reliable census that Nigeria has is the census of 1963 which put the total national population at 55,670,055. Reliable not in the sense of accuracy of figures but because of the less controversy and acrimony its acceptance generated compared to subsequent attempts (Aina and Salau, 1992).

In 1990, the United Nations Population Fund's State of The World estimated the Nigerian population at 113 million and projected this to 301 million at the first quarter of the next century. It also estimated an annual growth rate of 3.5 percent for the country which is the fourth highest in Africa after Kenya (4.1), Cote d'voire (3.9) and Libya (3.6) - the fastest growth rate in human history for the entire region. More recently WRI (1994/95:268) estimates the trend as growing from 32.94million in 1950, through 108.54 million in 1990 to 126.93 million in 1995 with a projected population of 285.82 million by the year 2025. It also estimates Nigeria's annual population change at 3.20 and 3.13 between 1980-85 and 1990-95 respectively. However, the problem of determining the actual size and growth rate of the Nigerian population remains for the students of the phenomenon.

According to World Bank (1995b:392);

> Economic mismanagement and negative external shocks further contributed to reducing Nigeria's GNP per capita from $1,160 in 1980 at the peak of oil boom to $300.5 1993. As a result, the incidence of poverty increased significantly. One third of Nigeria's population is considered poor, with about 10%, some 10 million people classified as extremely poor. Basic social indicators place Nigeria among the 20 poorest countries world-wide. Infant mortality rates are around 85/1000 live births, half of children aged between 2 to 5 show signs persistent malnutrition, and only two-thirds of the relevant age group are enrolled in primary schools.

Most recent estimates of other social indicators of poverty in Nigeria are as follows:

Poverty level: Head count index % of population	---
Life expectancy at birth	50.8
Infant mortality (per 1000 life births)	82.6
Child malnutrition (% children under 5)	43.0
Access to safe water (% of population)	40.0
Illiteracy (% of population)	49.3
Gross primary enrolment (% of school age)	76.0

Source: Adapted from World Bank (1995:393)

Comprehensive and far-sighted education, health, population and poverty alleviation policies have been adopted in Nigeria but pervasive mismanagement and her evasive macroeconomic environment robs these policies of fruitful results. The percentage of Nigeria's married couples with affordable access to contraceptive pills and condom, for example, are estimated at 24 and 29 respectively, where only 5% of these are currently using any of the propergated family planning methods (WRI, 1992/93:256). Nigeria's family planning programmes are therefore, hypothetically, utopian given the widespread poverty of the clientele i.e. - Nigerian populace.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 The Study Area:

Enugu State was purposively selected for this study. It was carved out of the former Anambra State in 1991.

The state has a total land area of 12,545.3 square kilometers, with a population of 3,161,295 (NPC, 1991). It has a population density of 248 persons per square kilometer and is located between latitudes $5^{o}48'$N and $7^{o}05$N and longitudes $6^{o}48'$E and $8^{o}3'$E.

Enugu state comprises 19 local government areas divided into three agricultural zones, namely; Abakaliki, Enugu and Nsukka zones respectively (fig. 3.0).

Enugu State was chosen for this study due to accessibility, economy and personal convenience. Furthermore, empirical evidence on the existence of proliferating FSHGs (savings/credit groups) in most of her rural villages makes the state very suitable for this research.

3.2 Sampling Technique:

Six local government areas will be randomly selected from a list of nineteen local government areas of the state (2 from each agricultural zone). From each of the selected local government area, a random sample of five self-help groups will

Fig. 3.0: Map of Enugu State showing the Three Agricultural Zones and 19 Local Government Areas.

be chosen. From each of these groups, five members will be randomly sampled. The leader of each group will be purposively sampled. This forms a sample size of 150 individual respondents and 45 group respondents respectively (Table 3.1).

Table 3.1: Sampling Areas and Respective Number of Respondents in Enugu State.

Agricultural Zones	Local government Areas to be sampled	Number of Respondent Groups	Number of Respondent Members
Abakaliki	Abakaliki	5	25
	Ezza	5	25
Enugu	Ezeagu	5	25
	Udi	5	25
Nsukka	Igbo-Eze North	5	25
	Nsukka	5	25
Grand Total Number of Respondents		30	150

3.3 <u>Data Collection</u>:

Primary data were be collected through personal interviews using two sets of pre-tested questionnaires. One set of the questionnaires were be administered on individual respondents while the other set were be administered on the group respondents respectively. Secondary data will be collected from previous works and other relevant materials.

Data Analysis:

Objectives I and IV were analysed using simple descriptive statistics such as percentages, means, tables, frequency distributions and graphical representations. Objectives II and III were analysed by means of correlational analytical techniques including t-tests of the correlation coefficients and their coefficients of determination respectively.

The verification of these objectives requires that:

1. The amount of funds mobilized by rural individuals in Rural Financial Self-Help Groups be positively linearly correlated with their extent of membership to these groups (i.e. the number of groups to which individuals belong).

2. Total mobilized funds be positively linearly correlated with individuals' aggregate investment in poverty alleviating schemes (projects):

3. The volume of the group-induced investments be positively linearly correlated with increased productivity and net income of members.

The statements of hypotheses for the tests were:

H_o: Correlation coefficient $\leq$ 0.

H_A: Correlation coefficient $\neq$ 0.

Representing relvant variables with X and Y respectively, the correlation coefficients "r" were computed from calculated sums and product of square values respectively.

Given that

$$r = \frac{n\Sigma xy - (\Sigma x)(\Sigma y)}{\sqrt{n(\Sigma x^2) - (\Sigma x)^2 \quad n(\Sigma y^2) - (\Sigma y)^2}}$$

where n = number of respondents.

(Spiegel, 1972).

The significance of the computed correlation coefficient (in each case) were further tested using the t-statistic.

$$t\text{-computed} = r\sqrt{\frac{n \quad R)}{1 \quad R^2}}$$

where R^2 = coefficient of determination.

r = coefficient of correlation.

n = number of variables.

<u>Decision Rule</u>:

Based on a one-tailed test of significance, the null hypotheses would be rejected at 0.01 level, if each t-computed is greater than t-tabulated at n-2 degree of freedom respectively.

Reject Ho: if $t^{\,n-2}_{\,= 0.01}$ t-computed.

Finally, objective 5 was achieved by inferences drawn from these tests.

3.5 Results:

The results of this study is expected to complement the growing body of empirical study on the impact of rural financial self-help groups on poverty and income distribution in rural areas.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

4.1 Typology, Social and Organisational Structure of Rural Financial Self-Help Groups (RFSHGs).

This chapter examines the types, social and organisational structure of Rural Financial Self-Help Groups studied. These will give an insight into their savings mobilization and capital accumulation potentials since the interstructural impacts that a particular organisation has on its members are very useful criteria for evaluating the performance of the organisation (Osuntogun and Olunfokunbi, 1980). This is deemed necessary since the activities of these groups are performed within an organisational framework which may vary significantly from one group to another dpenending on the socio-economic objectives of each group and the general macro-economic milieu of members.

4.1.1. Typology:

The Rural Financial Self-Help Groups (RFSHGs) in this study have been classified according to what they do rather than what they are called. This is because in Africa, evidence abound in literature to show that indigenous associations with nominally different appellation perform similar functions (Ardener, 1964; Braton, 1986). The associations studied were purposively restricted to three nominal types -

Isusu Clubs, Age Grades and Family Unions. Of these three nominal types, Isusu clubs were predominant constituting about 66.67% of the total. About 20.00% of the remainder were age grades while 13.33% were family (kinship) unions.

Functionally, these groups had similar systems of pooling and distributing savings which indiscriminately cut across the three nominal types studied. This formed an important criterion for classification - the rotatory or non-rotatory fund strategy. In the rotatory types which constituted about 60% of the total, contributions were collected periodically and instantly handed over to members in turns according to a pre-agreed sequence. However, the system of rotation varied from one club to another. In some, the rotation is contingent upon identified needs by members. In such cases, members who needed investment funds indicated for due consideration. In the non-rotatory types which constituted about 40% of types studied, contributions were either left in the bank account of the group or used for identified group investment projects until the end of a pre-agreed period (normally a financial year) when it is distributed to members according to their individual subscriptions to the fund with interests compounded.

Within the broad classification of rotatory and non-rotatory types, other sub-classes abound. Some make regular contributions mainly for the financing of certain target project(s) or other economic venture(s) while in others, contributions are irregular (i.e. not fixed) but mobilized funds are used for the same purpose. In others still, extension of credit to members is undertaken in addition to the savings function.

The various sub-types of RFSHGs found in the study area have been summarised and shown in table 4.1.

Table 4.1.: Percentage Distribution of the Sub-Types of Rural Savings/Credit Groups

S/No.	Types	RESPONDENT GROUPS Abakaliki Zone		Enugu Zone		Nsukka Zone		Total	% of Total
		No	%	No	%	No	%		
1.	Rotating savings club.	1	10.00	-	-	-	-	1	3.33
2.	Rotating savings and Credit club.	2	20.00	1	10.00	1	10.00	4	13.33
3.	Rotating savings, loan/investment club.	5	50.00	3	30.00	4	40.00	12	40.00
4.	Fixed fund savings/Credit club	-	-	1	10.00	-	-	1	3.33
5.	Non-rotating savings and credit club.	1	10.00	4	40.00	3	30.00	8	26.67
6.	Non-rotating savings club.	1	10.00	1	10.00	2	20.00	4	13.33
	Total	10	100.00	10	100.00	10	100.00	30	100.00

Source: Survey Data, 1995

The rotating savings, loan and investment groups have the overall highest number 40% and is also the dominant type in Abakaliki agricultural zone. The non-rotatory savings and credit type constituted about 27% of the overall total and about 40% of the types found in Enugu zone. The rotating savings and credit groups and, the non-rotating savings group constituted 13% each of the total while the rotating savings groups and the fixed fund variant of these groups constituted only three percent of the overall total respecively.

It has been pointed out that despite the above variations to sub-types, RFSHGs can be conveniently classified into two broad types based on savings mobilization and capital accumulation strategy as either rotating or non-rotating savings/ credit groups.

In all the types studied, savings is compulsory and whoever joins, is made to regard savings as obligatory to the groups. This compulsory obligation to save is one of the distinctive features of Rural Financial Self-Help Groups from other traditional Self-Help Groups (eg. Labour, farm Groups etc). While savings is obligatory on members of the former, members of the latter are not necessarily obliged to save with the group. This enhances effective savings mobilization and capital accumulation in Rural Financial Self-Help Groups.

It has to be pointed out that the observed variations in sub-types of RFSHGs were mainly due to occupational and financial interests of members.

While the rotatory types of savings and credit were common among traders and artisans, the non-rotatory types were predominantly membered by civil servants and farmers. Most savings, loan and investment associations were highly favoured by rice farmers in Abakaliki and Nsukka agricultural zones of the state.

4.1.2. Objectives at Formation:

It is important to examine the objectives of these groups because the knowledge and insights obtained will bear an indication to their propensities to save, consume and/or invest in profitable economic venture(s) such as financing agricultural projects in perspective. Therefore, the study undertook to examine the objectives of the 30 groups studied. The results are presented in table 4.2.

Table 4.2: Percentage Distribution of FSHGs According to Their Objectives at Formation

S/No.	Objectives	RESPONDENT GROUPS						Total	% of Total
		Abakaliki Zone		Enugu Zone		Nsukka Zone			
		No	%	No	%	No	%		
1.	Financial help to members in times of Crisis	5	50.00	6	60.00	3	30.00	14	46.67
2.	Group investments to agricultural projects	10	100.00	5	50.00	9	90.00	24	80.00
3.	Group investment for other economic purposes	2	20.00	8	80.00	-	-	10	33.33
4.	Source of credit for individual farming business	8	80.00	-	-	6	60.00	14	40.67
5.	Capital mobilization for community development	3	30.00	-	-	5	50.00	8	26.67
6.	Means of mobilizing funds for political activities	-	-	4	40.00	-	-	4	13.33
7.	Group farm labour	10	100.00	4	40.00	8	80.00	22	73.33
8.	Framework for peace-keeping within the group and society at large	10	100.00	4	40.00	8	80.00	22	73.33
9.	Financial help to members for funeral ceremonies/other social functions	5	50.00	3	30.00	10	100.00	18	60.00

Source: Survey Data, 1995

The enlisted objectives of most of the groups (80%) at formation were the mobilization of funds for group investments in agricultural projects. These agricultural projects in perspective ranged from crop production, processing, storage and marketing to various forms of animal husbandry. This is indicative of the predominant intention of these groups to augment the contemproary dearth of funds for financing agricultural projects in areas where they exist.

Other important objectives of these groups were given as provision of framework for peace within the group and society at large (73.33%), group farm labour (73.33%), financial help to members for social functions like funerals, marriages etc. (60%). About 47% of the groups also provided financial help to members at other times of crisis such as business failure, ill-health etc., and served as source of credit to members for their farming business. Only about 13% of the groups had mobilization of funds for political activities in their priority list while about 27% mobilized same for community development projects like road reconstruction, building community halls etc.

The above objectives of the groups are indicative of their intentions to provide solution especially to the money-oriented problems of the rural dwellers in areas where they exist. Worthy of note here, is the predominance of their intention to invest in primary projects both on group and individual basis. This bear implications for poverty alleviation among members.

4.1.3. Membership Strength:

The membership of the FSHGs was found to vary between 12 and 180 with mean of about 45 members per group (table 4.3).

Table 4.3: Frequency Distribution of FSHGs According to Membership Strength

Size of Group	No	%
1 - 50	18	60.00
51 - 100	4	13.33
101 - 150	6	20.00
150	2	6.67
Total	30	100.00

Source: Survey Data, 1995

A greater percentage of the groups (60%) had a membership strength that ranged between 12-50 while about seven percent had more than 150 members. Thus most of the groups had small size of membership. This has an advantage of minimizing complications in management and the possibility of contribution/loan default. Large organizations are more difficult to manage (Nweze, 1990b). It is pertinent to point out that despite the relatively small membership strength of the groups studied, it was difficult to find an adult male or female in Enugu State that was not member to one or more variants of RFSHGs. This is because of the multi-membership habit inherent in members of such groups. Rural individuals preferred to diversify their savings and investment portfolio by enlisting in more than one FSHG. Groups that had many applicants often started new ones - "sister groups"-an off-shoot of the "mother" group in order to maintain a manageable membership per group. Often, financial membership differs from the number of individuals registered as members. This is because, one can contribute in multiples of the pre-agreed contribution amount/item in order to increase one's financial interest in the group. In this sense, contribution fund is percieved as akin to "shares" or "common stock" in the formal financial markets. This is termed multiple contribution technique amongst RFSHG members.

The multiple membership and/or contribution trend among RFSHG members has a very positive effect on savings mobilization and investment potentials of the rural poor (ie. members).

This is because an individual who belongs to ten groups, for instance, is compelled to save in the ten groups concurrently and also be involved in each group investment(s) respectively. This evidently increases one's propensity to save and widens one's investment portfolio. The distribution of members of RFSHGs according to their multi-membership patterns are shown in table 4.4.

Table 4.4: Frequency Distribution of Respondents According to Their Multi-Membership Patterns

No. of Groups Belonged to	INDIVIDUAL RESPONDENTS Abakaliki Zone No	%	Enugu Zone No	%	Nsukka Zone No	%	Total	% of Total
1 - 5	18	36.00	12	24.00	29	58.00	58	39.33
6 - 10	29	58.00	27	54.00	15	30.00	71	47.33
11 - 15	3	06.00	10	20.00	06	12.00	20	13.33
15	-	-	01	02.00	-	-	01	0.67
Total	50	100.00	50	100.00	50	100.00	150	100.00

Source: Survey Data, 1995

Over 60% of the respondents belonged to not less than six different FSHGs, while only 39% belonged to not more than five. However, within the later class, no respondent belonged to less than two groups concurrently. The average number of group to which an individual belonged was estimated at about seven.

This has an advantage of maintaining a manageably small-sized group membership while not restricting individuals' propensity to save and/or invest. It also led to favourable inter-group intercourse, moral suasion, regulation and control, thus enhancing inter-group financial transactions which may be likened to interbranch transactions within branches of the same commercial bank in the more formal financial sectors. Sister groups were reported to have transfered idle funds to other funds to other groups in need at minimal interests and collaterals. This will be discussed further under investment portfolio of these FSHGs.

4.1.4. Age Distribution of Members:

It is pertinent to examine the age distribution of members of these FSHGs since such demographic characteristics do much to determine the fraction of income consumed and/or saved (Dernburg and McDougall, 1980). Young families who tend to have low incomes will save little or dissave but as they grow older and their incomes rise, their savings also rise to pay off past debts and to accumulate assets for retirement. As retirement arrives and brings with it a reduction in income, there is a tendency for savings to become negative again. Imparatively therefore, people in the middle years of their life cycle have greater likelihood to combine high incomes with high levels of savings (cf. life-cycle hypothesis" In:Dernburg and McDougall, 1980).

The study therefore, examined the age distribution of members of these FSHGs with a view to deducing its implication on the savings and investment potentials of respondents. This is shown in table 4.5.

Table 4.5: Percentage Distribution of Respondents According to Age

Age (years)	INDIVIDUAL RESPONDENTS No	%
20 - 24.99	2	01 .33
25 - 29.99	15	10 .00
30 - 34.99	30	20 .00
35 - 39.99	84	56 .00
40 - 44.99	10	06 .67
45 - 49.99	8	05 .33
50.00	01	00 .67
Total	150	100 .00

Source: Survey Data, 1995

A greater percentage of the respondents (56%) were of the age bracket of 35-39.99 years while about 20% fell between 30-34.99 years of age. About 10% of them were between 25-29.99 years of age while about seven percent were between 40-44.99 years of age. While only one of the respondents was above 50 years of age, only two were below 25. Thus, age of members of these groups cluster around 30-39.99 years with an overall mean value of 42.50 years.

In view of life cycle hypothesis (Dernburg and MacDougall, 1980) the RFSHG members are apriori, in their most suitable age for savings and investment. The implication of this to its role in savings mobilization, capital accumulation and investment is evident. The multiplier effects of this on income is obvious.

4.1.5. Income Level of Members:

Both savings and investment are functions of disposable income (Dernburg and McDougall, 1980). So there is no gain-saying the need for examining the income levels of members of these groups since this will bear serious indication to the amount that can be saved and/or invested by members.

Majority of the respondents (68%) were in the income bracket of ₦20,000.ØØ to ₦30,000.ØØ per annum (table 4.6). Twelve percent fell within levels of ₦30,001.ØØ to ₦40,000.ØØ while about 17% of the members had incomes greater than ₦40,000.ØØ per annum.

From the above, membership of the groups studied could be said to cut across various economic strata. Despite the fact that the groups are rural-based, they still have some few rich and middle class members (ie. people with annual incomes $\geq$ ₦31,000.ØØ. Of great significance here is the fact that even the objectively poor members (about 20%) were able to cope with the contribution (savings requirements and the investment activities of the group(s) to which they belong. This is affirmative to what was reported by Ijere, (1992) that what the rural poor lacks is not the ability to save and/or invest but the incentive to do same.

Table 4.6: Percentage Distribution of Respondents According to Their Income Levels

Level of Income ₦	RESPONDENTS (INDIVIDUAL) Abakaliki Zone No	%	Enugu Zone No	%	Nsukka Zone No	%	Total	% of Total
20,000.ØØ	10	20.00	13	26.00	2	04.00	25	16.67
20,000.ØØ-30,000.ØØ	32	64.00	27	54.00	43	86.00	102	68.00
30,001.ØØ-40,000.ØØ	6	12.00	8	16.00	04	08.00	18	12.00
740,000.ØØ	2	04.00	2	04.00	01	02.00	05	03.33
Total	50	100.00	50	100.00	50	100.00	150	100.00

Source: Survey Data, 1995

Of great significance also, is the fact that income levels of members were positively linearly related with length of membership and the number of groups belonged to. Breaking the poverty cycle is therefore associated with membership.

4.1.6: Frequency of Meetings:

Examining the frequency of meetings is necessary since the amount of mobilized savings, accumulated capital and net investments of each group were found to depend largely on the contribution cycles which, in turn, synchronized with meeting periodicity. This is shown in table 4.7.

Many of the responding associations (60%) had weekly meetings. Twenty percent had monthly meetings while about 13% fixed their meetings to fall with the local market days.

Only one group each had forthnightly and quarterly meetings respectively.

Generally, each groups' total mobilized funds increased with the frequency of meetings/contributions and the size of their contribution fund respectively.

Table 4.7: Percentage Distribution of RFSHGs According to the Frequency of their Meetings

Frequency	GROUP RESPONDENTS Abakaliki Zone No	%	Enugu Zone No	%	Nsukka Zone No	%	Total	% of Total
Every Market Day	1	10.00	3	30.00	-	-	4	13.33
Weekly	7	70.00	2	20.00	9	90.00	18	60.00
Forthnightly	-	-	1	10.00	-	-	01	3.33
Monthly	2	20.00	3	30.00	1	10.00	06	20.00
Quarterly	-	-	1	10.00	-	10.00	01	3.33
Total	10	100.00	10	100.00	10	100.00	30	100.00

Source: Survey Data, 1995

Attempts were also made to investigate the reasons why the groups adopted the given frequency of meetings (table 4.8). All the 30 groups studied indicated that their major reasons were to meet up with financial commitments of their group and to receive regular contributions from members (i.e, to boost savings, capital accumulation and investment among members). Other reasons given were to enable members to evaluate the performance of their officers (50%) and, to evaluate on-going projects owned by the group (about 97%). About 60% of the groups had regular meetings in order to check the financial records of the group.

From the foregoing, it is clear that the main reason for having more requent meetings was to enhance a more frequent mobilization of savings, capital accumulation, and an effective investment portfolio management within the groups.

Table 4.8: Percentage Distribution of RFSHGs According to Their Reasons for Adopting the Given Frequency of Meetings

Reasons	GROUP RESPONDENTS Abakaliki Zone No	%	Enugu Zone No	%	Nsukka Zone No	%	Total	% of Total
To meet up financial commitments of the group	10	100.00	10	100.00	10	100.00	30	100.00
To receive regular contributions from members	10	100.00	10	100.00	10	100.00	30	100.00
To evaluate on-going projects of the group	10	100.00	9	90.00	10	100.00	29	96.67
To check the financial records of the group	8	80.00	6	60.00	4	40.00	18	60.00
To evaluate the performance of officers	8	80.00	2	20.00	5	50.00	15	50.00

Source: Survey Data, 1995

4.2: Poverty Linked Characteristics of Nigeria's Rural Dwellers

Going by the World Development Report (1990) and the World Resources Institute (1992/93), 60% of the respondents are poor (ie with annual incomes < ₦30,340.00 or US $370.00) while about 17% are abjectively poor (ie with annual incomes < ₦22,550.00 or US $275.00) respectively (Table 4.6). Only about 15% of the respondents' have annual incomes greater than the poverty thresholds specified in literature.

From field surveys, other poverty linked characteristics (social indicators of poverty are as presented in table 4.9).

Table 4.9: Percentage Distribution of Respondents According to Poverty-Linked Characteristics

Identified Characteristics	Abakaliki	Enugu	Nsukka	Mean Value
Poverty Level: Head Count index as % of population	84.00	80.00	90.00	84.67
Life expectancy at Birth	50.00	68.77	52.44	57.07
Infant Mortality (per 100 Life Births) ...	12.34	7.98	8.84	9.72
Access to Safe Water (% of population) ...	62.40	74.25	41.23	59.29
Child Malnutrition (% of children under 5) ...	N.A.	N.A.	N.A.	N.A.
Illiteracy (% of population	72.10	35.60	52.84	53.68
Gross Primary School enrolment (% of School age in Respondent Households)	64.28	85.79	83.42	77.83
Access to Safe Shelter (cemented zinc buildings) % of population ...	38.20	86.40	63.40	62.67

*N.A. = Not Available

Source: Survey Data, 1995

A greater proportion of the respondents (84.67%) fall below the poverty line and about 10% infant mortality and 54% illiteracy level.

4.3: Savings Mobilisation Strategy:

The regular contribution of members is the major source of savings and investment funds for all the RFSHGs studied. Other income sources include fines paid by defaulters, registration/admission fees, returns on group investments, other profit-oriented activities embarked upon by the group and loans from other sources such as sister groups and banks. It is from the yield of these sources net of money used for entertainment, administrative purposes and other contingencies that loanable funds and investment capital results. In all the groups studied, there is a fixed sum to be contributed (in cash and/or in kind) at every saving's day which makes up the savings fund for the group. Multiple contributions by one member was allowed in most groups in order to incorporate members of different income levels and saving abilities. Cognisance is taken of this fact in times of distribution and use of the saved fund. The method of sharing in such cases is akin to "dividend-pay-out" technique in formal financial markets where shareholders receive dividends in proportion to their financial interests in firm(s).

In terms of fund delineation, it was found that the RFSHGs maintained three major types of funds. These were regular savings (contribution) fund, contingency fund and special project/investment fund. Savings fund are parts of the groups contribution fund not spent on current consumption, contigencies and/or investment projects. Contingency funds are parts of the contribution funds set aside to cover administrative costs and as a source of insurance against other contingencies such as group project failures, death of members and/or members' dependants, disease outbreak etc. Special project/investment funds are, in other hand, levies or the money which members unanimously agree to contribute for the execution of a certain profit-making productive and/or service activity (ie share capital). In principle, the three funds were to be distinct and their monies kept separately but in practice, the funds were mutually complementing and interacting. This is due to the fungibility features associated with financial instruments - i.e. the interchangeability of money uses.

4.3.1: Contribution Arrangements: Cycles, Items and Management

In all the groups studied, savings contributions are paid in cycles which for convenience, followed the meeting periodicity (table 4.7). As shown in the table, 60% of the groups mobilized savings monthly, while 13.33% mobilized theirs on every subsequent market day. Only 3.33% each mobilized their savings fund forthnightly and quarterly respectively.

Contingency fund contributions do not necessarily follow the normal meeting/savings contribution cycles. It is normally paid inform of emergency levies, fines for defaults and registration dues.

Special project funds, on the other hand, were contributed at the convenience of each contributor-member. It does not follow the regular savings contribution cycle but are declared open by the group for the financing of specific/identified investment projects. The system of contribution in this case is similar to common share purchases in the formal stock exchange markets. The major difference is that in the farmer, members are allowed to contribute in cash and/or kind (ie farm inputs or farm labour) which were valued by leadership to determine the financial interests (shareholders) in the said project. The guiding principle in this regard is what Eboh, (1993) reported as "the sow-and-reap" principle which elicited high levels of commitment among members of his case study organisations. Because "the measure of benefits one obtains from the group investments proportional to the measure of ones' financial interest (both cash and/or kind) in the group project(s), members are caused to exhibit greater degree of participation and interests in the group investments. One clear evidence of the operationalisation of this principle is the distribution of interest amounts according to the amount of individual's savings contributions evidenced in all the groups studied. There was also the distribution of declared dividends (profit share) according to the member's investment in a given group project.

4.3.2. Capital Accumulation Strategy:

A common financial activity across the Rural Financial Self-Help Groups (RFSHGs) studied was the accumulation of capital from membership. Funds were pooled through the use of several contribution arrangements. They used either rotatory and/or non-rotatory strategies for creating and accumulating group funds.

The distribution of the RFSHGs studied according to their capital accumulation structure is shown in table 4.10.

Table 4.10: Percentage Distribution of RFSHGs According to Their Capital Accumulation Structure

Type of Funds Kept	RESPONDENTS No	%
Savings fund only	1	03.33
Savings fund and Contigency fund only	4	13.33
Savings fund and Contingency fund and special project fund	25	83.33
Total	30	100.00

Source: Survey Data, 1995

Majority of the groups (96.67%) operated a multiple fund system. The remaining 3.33% that did not have more than a single fund structure was a mono-functional rotatory savings group, which by virtue of its restrictive scope, had only savings fund. This was found in Aguobu Owa in Ezeagu Local Government Area of the state. Of the 96.67% that had a multiple fund structure, about 83% had a three-fund structure comprising savings, contingency and investment funds, while the remaining 13.33% maintained a two-fund structure by excluding investment fund from the former. There was no incidence of savings plus special fund.

The savings fund was an output of the contractual savings scheme for individual members - aimed at assembling deposits sufficient for some target individual members' project and/or for consumption smoothing before dissemination to members. Contingency fund was maintained by all but one of the groups studied - a signal of the prominence of risk management (insurance) potentials of these groups. The contingency fund was a parallel fund facility generated through registration and/or "admission levies, fines" from defaulters and other contingency levies imposed on members in times of crisis. Each group defined "a priori" the nature and extent of crisis that warranted contingency levies/contributions and modifications to the definition was the pre-rogative of the individual group. However, if generally served as the insurance component of the

RFSHG fund structure designed to assure mutual protection for members and sustainable project implementation on group basis.

Special project funds were generated by assembling amounts of money left over after payment of regular savings minima and the occasional share contributions to special group investment projects by members. Occasionally, credit reserves from savings fund are incorporated into the special project facility. Generally, special project funds comprises all the surpluses from savings and/or contingency fund facilities of the group(s). As such, it was very difficult to delineate due to the inherent fungibility feature of monetary instruments. Nevertheless, the distinctive feature of special project fund is that it was designed to provide start-up and/or continuing capital for group investments and its dividends are shared according to one's level of commitment to the financed project.

4.3.3. Contribution Size:

The net value of savings contribution ranged from ₦50.00 to ₦650.00 per cycle, but majority (36.67%) of the groups' contribution was valued to fall within the range of ₦51-₦100 per cycle.(table 4.11). The overall mean value of individual members' savings contribution was about ₦172.00 per cycle and ₦8,904.55 per annum.

Table 4.11: Percentage Distribution of RFSHGs According to Their Contribution Size

Levels (₦)	GROUP RESPONDENTS Abakaliki Zone		Enugu Zone		Nsukka Zone		Total	% of Total
	No	%	No	%	No	%		
≤ 50.00	-		-		-		-	-
51.00 - 100.00	6	60.00	2	20.00	3	30.00	11	36.67
101.00 - 150.00	2	20.00	4	40.00	1	10.00	7	23.33
151.00 - 200.00	1	10.00	-	-	-	-	1	03.33
201.00 - 250.00	-		3	30.00	4	40.00	7	23.33
251.00 - 300.00	-		1	10.00	-	-	1	03.33
> 300.00	1	10.00	10		2	20.00	3	10.00
Total	10	100.00	10	100.00	10	100.00	30	100.00

Source: Survey Data, 1995

In order to assess the effect of capital accumulation structure (table 4.10) on the amount of funds mobilized per group of RFSHGs per annum, the total funds mobilized per group-type was distributed as shown in table 4.12.

Table 4.12: Distribution of Annual Amounts of Fund Mobilized in Each Sub-type of RFSHGs Based on Capital Accumulation Structure

Sub-Type based on accumulation structure	Number of Respondents	Average mobilized sum per group per annum (₦)
Savings fund only	01	180,400.00
Savings fund plus contingency fund only	04	256,678.00
Savings fund plus contingency fund plus special project fund	25	480,688.00

Source: Survey Data, 1995

Table 4.12 above shows that the mean annual contributions (funds) mobilized per group of RFSHGs increased with the multiplicity of their capital accumulation structure. The three-fund type had an average annual mobilized funds of about ₦480,688.00 while the 2-fund and single-fund structure groups mobilized only ₦256,678.00 and ₦180,400.00 per group respectively. This is attributable to the multiple contribution features predominant in the 3-fund types. Unshared dividends (retained earnings) resulting from group investment projects also helped to boost capital accumulation in the 3-fund sub-type. Such "surplus funds" were normally re-invested (ploughed back) in group projects for further fund generation.

It is worthy to recall here that about 83% of the groups studied were of this sub-type. This is an evidence of the capital accumulation potential of the Rural Financial Self-Help Groups found in the study area - Enugu State.

Generally, the three-fund sub-type tended to have the largest number of members and better established structures, financial instruments and broader goals than the other sub-types.

4.4 Investment Portfolio Management and the Propensity of RFSHGs to Finance Agricultural Projects

The study showed that RFSHGs found in Enugu State were performing predominant roles in rural financial intermediation process - specifically in deposit mobilization, loan provision to members and/or non-members, group project financing, as well as fund placements deployment and management. By pooling their resources together, members were able to make more regular investments than any of them could expect to make individually and as such, are able to build up a safer and more profitable portfolio than they could expect to own as individuals (Stiegeler et al, 1976). The incentives to save coupled with the privilege to borrow money for individual farm projects, access to group labour services and the opportunity to participate in viable group projects were identified by members to have spurred rural individuals to seek membership of Rural Financial Self-Help Groups (ie. savings and/or credit clubs) in areas where they exist.

4.4.1. Investment Portfolio Management:

It was the practice of the Rural Financial Self-Help Groups studied to commit group funds to income-yielding venture(s). Even though the type of investment projects varied from one group to another, two broad categories of investments were identified. These are: (a) Direct group investments which comprises funds directly committed to executing group income-yielding production, trading and/or property leasing ventures as well as community development and human resource development projects; (b) Indirect investments which comprised those group funds that are committed into contractual interest earning (but not directly producing) ventures such as loans and credit normally given to members for effective financing of individual projects, consumption smoothing and other contingencies. However, the common feature of both forms of investments is the profit motives; the distinctive feature being that while the former is geared towards group welfare directly, the latter is geared towards the welfare of individual members. Returns on investment funds (in both cases) were normally shared among contributors and/or re-invested to broaden the financial base of the group.

This is a deliberate effort to break the vicious circles of poverty from the supply side by injecting investment funds through group efforts. As evidenced in the groups studied, such investment funds thus injected are supervised to ensure a positive multiplier effect on productivity, income and propensities to save among members (fig. 4.1)

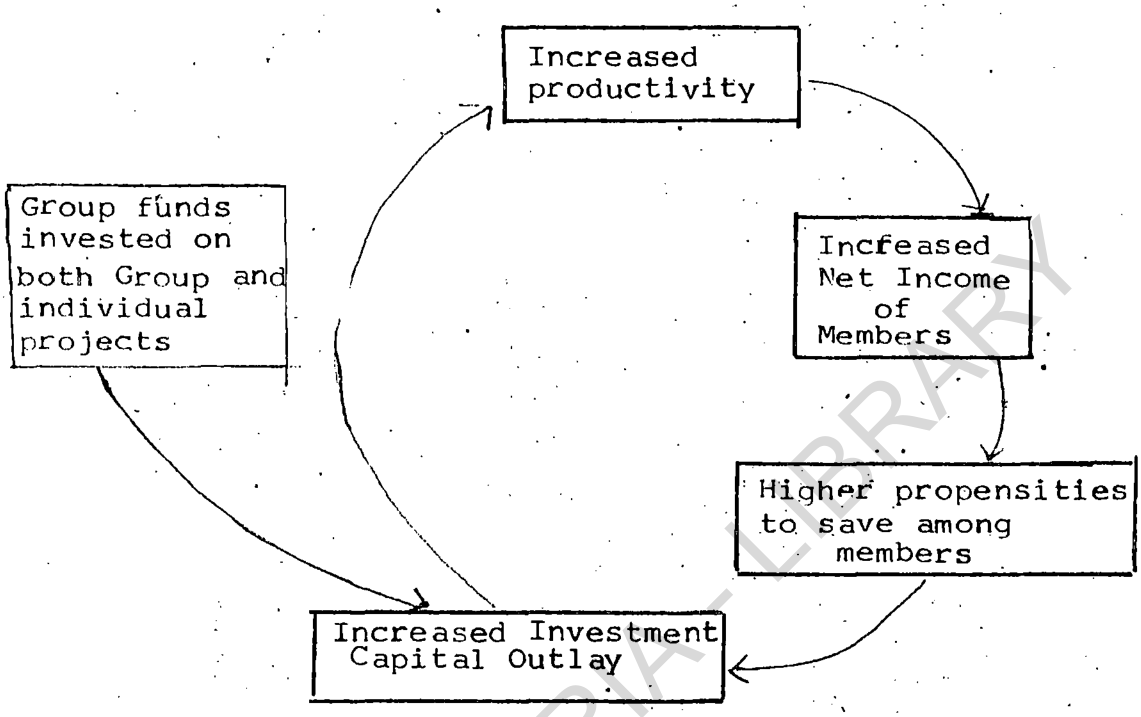


Fig.4.1: The "apriori" effect of group-induced investments on the supply side of the vicious circles of poverty.

This is congruent with Rosentein-Rodan's theory of "Big Push" (ie the effect of massive injection of funds o poverty) (Rosentein Rodan, 1943) and the Keynesian theory of investment multiplier (Keynes, 1936).

The "aprior" effects of this on the Demand side of the poverty cycle is positive.

4.3.1.1. Direct Group Investment Activities:

About 97% of the groups studied were found to operate collectively-owned productive, distributive and/or commercial ventures (ie Group Projects), primarily to improve on the annual net income of members. Ten percent of the groups were reported to have Agricultural Projects (AP) and Community Development Projects (CDP) simultaneously (table 4.12). About 37% of the groups used their mobilized funds for financing agricultural projects only, while about 47% of them combined such projects with other commercial projects (OCP) respectively. Only three percent of the groups combined Agricultural projects with human resource development projects (HRDP). Only one of the groups had no grop project in their investment portfolio.

Table 4.13: Distribution of RFSHGs According to Their Direct Group Investment Activities:

Type of Investment	RESPONDENTS No	% of Total
Agricultural projects only ...	11	36.67
Agricultural projects and community Development projects only ...	3	10.00
Agricultural projects and Human Resource Development projects only ...	1	03.33
Agricultural projects and other commercial projects only	14	46.67
No group project	1	03.33
Total	30	100.00

Source: Survey Data, 1995

Put simply, all the groups that had group projects had various forms of agricultural projects either as sole project (36.67%) or in various combination with other profitable ventures like community development (10.00%). Human resource development (3.33%) or other commercial projects (46.67%). Agricultural projects financed by the groups include crop production, processing, storage and various forms of marketing and/or commodity brokerage ventures. These provided employment to members by offering opportunities for wage labour - and a ready-market for farmer-members.

4.3.1.2.1. Direct Investment Portfolio Management Practices

The management of group projects is normally left to the leadership of each group through a mandate to invest delineated sums in specific projects after exhautive deliberations on the said projects' viability, feasibility and boundaries at regular meeting sessions. It was observed that there was an apparent stereotyping of investment channels for each group depending on demographic-characteristics of members and each groups goals at formation.

The meeting periodicity were arranged in such a way that frequent appraisals of on-going projects is enhanced since the meeting sessions served as the most reliable medium for investment appraisal, management and control.

At the end of each financial year, the groups declared financial results, cash statements and stock values. Where there existed net returns on special project funds,(as was the case in most investing group), they were distributed among subscribing members in proportion to their share contributions to the said project(s). The group that did not invest in special projects enforced borrowing on members in order to reap accruing loan interests. This is similar to what was reported by Miracle et al, (1980) that "the aspect of credit is necessary since savings are seldom idle, but are authomatically lent to members of the association".

Generally, the investment portfolio management practices of Rural Financial Self-Help Groups (RFSHGs) were such that every direct investment activity generated a net surplus (funds) that were eventually disbursed to members in form of share dividends.

4.4.1.2. Indirect Investment of Lending Activities of RFSHGs:

The RFSHGs studied operated a lending system that consisted of predetermined procedures, criteria and condionalities. With the exception of the rotating savings type (3.23%) and the fixed fund type (3.33%) of the total respectively, all the groups sampled had clear provisions, though in most cases, unwritten, to give credit to members as a basic benefit.

As such only (6.67%) of the studied did not have loan portfolio.

4.4.1.1.2. Types of Loans:

The groups studied have been distributed as shown in table 4.14 according to type of activities for which loan/credit have been granted to loanees.

Table 4.14: Percentage Distribution of RFSHGs According to Their Types of Loans

Type(s) of Activities	RESPONDENTS No	% of Total
Financing Agricultural Projects	28	93.33
Financing Trading Business	12	40.00
Financing Artisan Business	3	10.00
Financing Social Ceremonies like burials, marriages etc.	18	60.00
Smoothing Consumption	-	-
No Responses ...	2	06.67

Source: Survey Data, 1995

The overriding purpose for which loan and credit were granted by the groups (93.33%) was to finance a variety of agricultural projects owned by members. Sixty percent of the groups gave loans for social ceremonies while 40% gave same for trading business. Ten percent of the groups gave loans for artisans while about 7% gave no response since they had no loan/credit portfolio.

4.3.1.2.2 <u>Eligibility of Loans:</u>

All the groups with credit components required that loan applicants must be members (table 4.15). One group in Obeleagu Umana in Enugu Agricultural Zone is, however, planning to extend credit to non-members who could present strong collaterals. About 90% of the groups require that loanee members be up-to-date in their financial obligations. All the groups that gave loans require that a viable project must be presented while 60% require that loan applicants be of good moral behaviour.

Table 4.15 Percentage Distribution of Respondents According to Eligibility of Loans

Requirements	GROUP RESPONDENTS No	% of Total
Must be a member ...	28	93.33
Must be up-to-date in contributions	27	90.00
Must present a viable project for the loan ...	28	93.33
Must be of good conduct in public places ...	18	60.00
Must provide strong collaterals	1	03.33

Source: Survey Data, 1995

4.4.1.2.3 <u>Loan Processes and Guarantees:</u>

Unlike formal credit institutions and other cooperative bodies that require landed properties and financial standing as criteria for granting loans, RFSHGs considered personal recognition and membership as major criteria for loan guarantor. All the groups studied considered members' savings and participation in pooled activities as sufficient security for their loans.

All prospective loanees approached the group leadership with loan requests to be considered in the subsequent meeting session or given instant consideration by the leaders depending on the purpose of the loan. Non-members, however, needed to produce several loan guarantees such as a guarantor - member, who pledged to repay the loan in case of default.

Generally, members had greater and easier access to loanable funds than non-members - a deliberate measure to reward membership and retain interests and an insurance against loan default.

4.4.1.2.4: Loan Disbursement, Duration/Moratorium, Repayment Terms and Rescheduling

All the groups studied had uniform loan disbursment procedures - disbursement being made as a payment once all conditions for loan eligibility were satisfied.

In all but one of the groups, loan moratorium is of equal length as the loan term (duration). Repayment is made once, at the expiration of the loan term.

In general, the observed features and terms of loans granted by groups were that the loans were small-sized, quick maturing, rapidly accessible, self-proliferating, profusely spread, timely and flexible. Rescheduling and repayment were subtle and rapidly responsive to individual needs and circumstances. The guiding rule, however, was that every loan beneficiary will repay the principal plus compounded interest not later than the termination of the financial year. Rescheduling was allowed only within the financial year. This practice was to enhance an effective portfolio management for leadership and enable quick preparation of annual financial reports for dissemination to members at the meeting session that marks the year ended. This is akin to Annual General Meetings (AGM) in other corporate organisations. The report normally served as the basis for assessment of the financial position of each group and the management potential of leadership. Interests an loans accruing to the group for each year were normally shared to members according to their level(s) of contribution to the groups' loan fund. The principal was loaned out to new loan applicants for the new financial year and/or renewed by old beneficiaries.

4.4.1.2.5. Loan Ceilings and Interest-Rate Structures:

The interests charged on loans by the sampled groups ranged between 0-25% (table 4.16). Every group had a loan ceiling per unit period (ie the amount that a loanee could obtain at once). This varied among members depending on each members' financial interests in the group. In all cases, a loanee cannot obtain loans/credit in excess of the total value of his/her annual contributions to the groups fund (savings, contingency and special project funds). Members who, for identified needs, needed sums in excess of the above requirement had to provide another member-guarantor who pleadeged to bear the risks of default. This practice was a generally accepted measure against loan default among loanees.

Table 4.16 Percentage Distribution of Rural Financial Self Help Groups (RFSHGs) According to Their Interest Rate Structure

Rates percentage per Year	GROUP RESPONDENTS Abakaliki Zone		Enugu Zone		Nsukka Zone		Total	% of Total
	No	%	No	%	No	%		
0 - 5.00	3	30.00	1	10.00	4	40.00	8	26.67
6.00 - 10.00	4	40.00	2	20.00	6	60.00	12	40.00
11.00 - 15.00	2	20.00	3	30.00	-	-	5	16.67
16.00 - 20.00	-	-	2	20.00	-	-	2	0.67
21.00 - 25.00	1	10.00	-	-	-	-	1	3.33
No response	-	-	2	20.00	-	-	2	6.67
Total	10	100.00	10	100.00	10	100.00	30	100.00

Source: Survey Data, 1995

Over 40.00% of the groups had an interest rate regime that fell within six to ten percent for loans/credit given to members. For about 27% of the groups the rates fell within zero to five percent while for 6.67%, it fell within 16-20.00%. Only one of the groups had rates higher than 20.00% while about seven percent had no loans/credit facilities at all.

This relatively low interests on loans (compared to the nominal rates on loans/credit from formal financial institutions "21%" is indicative of the relative cheapness of funds sourced therefrom. It is important to note here that interest charged by money lenders in the areas surveyed ranged between 15-20% per month. This is evidently usurious since loanees had to pay ₦280.00 - ₦340.00 per annum for a ₦100.00 loan. This is similar to what Eboh, (1993) reported of his case study associations in Enugu-Ezike and Okija in the former Anambra State, Nigeria.

Even though the loan package is always small, rural farmers prefered it to other forms of rural financial intermediation process since it was always available at time of need, easily accessible, less costly and required less bureaucratic procedures for disbursement, repayment and rescheduling.

4.4.1.2.6: <u>Loan Defaults and Default Management Techniques</u>;

Loanees were considered to be in default if at the expiration of the loan term/duration (including the grace period resulting from rescheduling), he or she had not defrayed the loan amount plus the accrued interest. Defaulting members were automatically denied access to their share of declared dividends to the degree of their unpaid debts. Some labour - debt swaps were observed - whereby defaulting members opted to work in in the group projects as a means of liquidating their debts. In extreme cases, identifiable assets of defaulters were confiscated and sold for cash to liquidate the debt.

However, default cases were rare among the groups sampled since members know each other and no one wanted to be ridiculed by his/her peers. Furthermore, all the groups had effective default avoidance techniques in the arrangement. This ranged from membership size control and membership profile delineation, group pressure, moral suasion to various social sanctionary measures.

4.4.1.3 Inter-group Loan/Financial Transcations:

Considerable degrees of inter-group loan/financial transactions were observed, mostly in Nsukka and Abakaliki agricultural zones of the state studied. The groups engaged in borrowing from and/or lending to one another in the "spirit" of inter-group cooperation. These activities were mostly confined to groups with "parental links - certain groups are "offshoots" of "mother" group(s) to which they owe their existence.

Seventy percent of the groups found in Abakaliki and Nsukka agricultural zones exhibited such inter-branch transactions respectively. Some links between these groups and other financial intermediaries were also observed. About thirty-three percent of the groups studied were reported to have obtained loans from rural commercial banks and people's banks respectively.

The loans thus obtained were used for on-lending to members and/or for direct production, trading and commercial activities by the groups. In 90% of the bank loan-recepients - group(s) the loans were specifically delineated for agricultural projects (ie agricultural loans).

4.4.2. Propensity to Use Mobilized Funds for Productive Investments;

The average propensity to invest among Rural Financial Self-Help Groups (RFSHGs) studied was 56%. The propensity of individual groups to investment in primary projects have been distributed in ranges as shown in table 4.14.

Table 4.17 : Percentage Distribution of RFSHGs According to Their Propensity to Use Mobilized Funds for Group Investments

Ranges (%)	RESPONDENTS No	%
20.00	1	03.33
21.00-- 40.00	5	16.67
41.00 - 60.00	7	23.33
61.00 - 80.00	13	43.33
81.00 -100.00	4	13.33
Total	30	100.00

Source: Survey Data, 1995

About 43% of the groups had propensities to finance primary/agricultural projects that ranged between 61-80% while that of about 23% of them fell within ranges of 41–60%. Only three percent of the groups had a less than 20% propensity to invest.

Generally, over 56% of the groups had a greater than 60% propensity to finance productive projects at both group and individual member levels.

4.5 Tests of Hypotheses:

4.5.1. The Relationship Between Membership to RFSHGs and Saving Mobilization/Capital Accumulation Potential of Rural Individuals

The verification of the hypothesis that membership of Rural Financial Self Help Groups increased the savings mobilization/capital accumulation potentials of rural individuals was achieved by means of correlational analytical techniques. The verification of the hypothesis requires that the total amount of funds mobilized in RFSHGs by members "Y" be positively linearly correlated with the number of groups to which individuals belong "X".

Substituting from computed values of sums and products of squares, the correlation coefficient was computed as:

$$r = \frac{n(\sum XY) - (\sum X)(\sum Y)}{n(\sum X_i^2) - (\sum X_i)^2 \quad n(\sum Y_i^2) - (\sum Y_i)^2}$$

$$= \frac{(150)(8{,}528{,}905.05) - (1073)(977{,}507.93)}{150(9443) - (1073)^2 \quad 150(8327426639) - (977507.93)^2}$$

$$= 0.8261$$

$$\therefore \quad 0.83$$

The correlation coefficient "r" between group membership and total funds mobilized by rural individuals in Rural Financial Self-Help Groups was therefore computed to be 0.83. Thus the two variables are positively correlated in a linear fashion.

To decide between the null and alternative hypotheses, the significance of the correlation coefficient "r" thus computed was tested.

H_o: $r = 0$: There is no positive linear correlation between the two variables X and Y. (ie r is not significant)

H_A: $r \neq 0$: There is positive linear correlation between them
them. (ie r is significant).

Computing the t - statistic:

$$t\text{-computed} = r\sqrt{\frac{(n-2)}{(1-R^2)}}$$

where $R^2 = 0.69$; and $n = 150$.

$$\therefore t\text{-computed} = 0.83\sqrt{\frac{(150-2)}{(1-0.69)}}$$

$$= 18.1033$$

$$18.1$$

On the basis of one-tailed test of significance at 0.01 level, we reject Ho: if t-computed is greater than t-tabulated at n-2 degrees of freedom.

Thus we reject Ho at 0.01 level of significance since t-computed (18.10) is greater than the t-tabulated at 148 degrees of freedom (2.33).

This test corroborates the evidence from the correlational analysis that the total annual savings and capital accumulated by rural individuals increased with membership of Rural Financial Self-Help Groups in a positive linear fashion.

4.5.2. The Relationships Between Funds Accumulated in RFSHGs and Members' Propensities to Invest

As shown in tables 4.15, 4.17, the Rural Financial Self-Help Groups' propensity to finance projects, both on group and individual basis, was above average.

Further verification of this hypothesis requires that the total amount of funds mobilized in RFSHGs "X" be positively linearly correlated with members' aggregate investments in agricultural projects "Y".

Substituting from computed values of sums and products of squares, the correlation coefficient was computed as:

$$r = \frac{150(5989061179) - (977507.95)(632261.17)}{150(832.7426639) - (977507.95)^2 \quad 150(8330441990) - (6322.61.17)^2}$$

$$= 0.5612$$

$$\therefore \quad r \quad 0.56$$

The correlation coefficient "r" between the actual amount of funds mobilized in RFSHGs and the members' aggregate investment in agricultural projects was therefore computed to be 0.56. This is a positive linear correlation.

To decide between the hypotheses;

Ho: $r \leq 0$, Correlation coefficient is non significant and,

HA; $r \neq 0$ Correlation coefficient is significant,

the t-statistic was computed thus;

$$\text{t-computed} = r\sqrt{\frac{(n-2)}{(1-R^2)}}$$

$$= 0.56\sqrt{\frac{148}{0.6864}}$$

$$= - 8.2230$$

$$\therefore \text{t-computed} = 822$$

On the basis of one-tailed test of significance at 0.01 level, we reject Ho: since t-computed (8.22) is greater than t-tabulated at 148 degrees of freedom (2.33).

This is an evidence to the positive linear effect of funds mobilized in RFSHGs on members' propensity to invest. Given the propensity of RFSHGs to use group funds for group projects (table 4.17) and the results of the tests above, it becomes clear that "ceteris paribus", Rural Financial Self-Help Groups have a positive effect on project financing in areas where they exist (ie Rural Nigeria). The positive linear correlation between mambership of RFSHGs and the members' savings mobilization/capital accumulation potentials is also indicative of its capacity to increase savings and investment to rural areas.

From "a priori" expectations, this increased propensities to save and invest among the rural poor will eventually break the supply side of the vicious circles of poverty in rural Nigeria. Savings and investment is obligatory to members irrespective of income level.

4.5.3 <u>The Relationship Between Group Induced Investments and Increased Productivity and Net Income of Members</u>:

The effect of RFSHGs in increasing the productivity and net income of members is a function of the proportion of the saved fund that is channelled to productive activities. Economic theory stipulates that income is a positive linear function of investment (Lipsey, 1983). From our analysis, over 56% of the groups studied had a greater than 60% propensity to invest saved fund both at group and/or individual project levels. This is indicative of the effect of RFSHGs studied on increased productivity and net income of members.

Further verification of this claim requires that the aggregate group-induced investments "Y" be positively linearly correlated with capital productivity and net income of members "X".

Substituting from computed values of sums and products squares, the correlation coefficient was similarly computed 0.64

This is a positive linear correlation.

To decide between the hypotheses:

Ho: $r \leq 0$, Correlation coefficient is non significant

and,

H_A: $r \not\leq 0$, Correlation coefficient is significant,

we compute the t-statistic:

$$\text{t-computed} = r\sqrt{\frac{n-2}{1-R^2}}$$

$$= 0.64\sqrt{\frac{148}{0.36}}$$

$$= 12.98$$

On the basis of a one-tailed test of significance at 0.01 level, we reject Ho: since t-computed (12.98) is greater than t-tabulated at 148 degrees of freedom (2.33).

This corroborates the evidence of the positive linear correlation of income and investment. This suggests that the net income and productivity of the rural Nigerian poor could be increased via group induced investments as evidence among members of RFSHGs studied. The policy implications of this is obvious.

In the wake of Private Sector Development in Africa, these rural organisations should be accorded due concern.

4.6 Poverty Perpetrating Features of the Rural Nigerian Poor:

Prominent among the many factors that perpetrates poverty in rural Nigeria, as observed among respondents were lack of capital (88.67%), low productivity in agriculture (80%), and religious beliefs and practices (68%) (table 4.18).

Table 4.18: Distribution of Respondents According to Identified Poverty Perpetrating Factors

Identified Factors	RESPONDENTS No	%
Low productivity in agriculture	120	80.00
Lack of capital for investment	133	88.67
Religious beliefs and practices	102	68.00
Lack of Entrepreneurial skills	102	68.00
Literacy level	93	62.00
Extended family system	75	50.00
lack of infrastructure	117	78.00

Source: Survey Data, 1995

* Multiple responses were recorded.

Of great significance among all these factors is that about 68% of the respondents identifies their religious beliefs and practices as a primary cause of poverty in rural Nigeria. This poverty perpetrating feature of religious beliefs in rural Nigeria was not denomination specific. Such responses were recorded across the different religious sects and beliefs in the study area. Generally, the impoverishing effect of same varied from financial extortions by religious leaders in different noances - commonly referred to as "tithe" ; non-economic use of time and labour resources on religious services and ceremonies; to a gradual psychological ill-disposition to productive activities due to totems, customs and bye-laws.

The study did not however get into the econometric determination of the levels of significance of these explanatory variables due to resource constraints. It is recommended that further research be done in that direction.

CHAPTER FIVE

5.0 SUMMARY, RECOMMENDATIONS AND CONCLUSION

5.1 Summary

This study was designed to examine the effect of Rural Financial Self-Help Groups (RFSHGs) on poverty and income distribution in rural Nigeria with Enugu state as the case study. This study was conceived and executed because of the worsening condition of living of the rural Nigerian poor. Existing literature indicate that this condition is positively correlated with dearth of funds for productive investments and other poverty perpetrating factors that prevail in rural Nigeria. Moreover, the empirical failure of Nigeria's formal financial intermediation schemes, only makes the informal counterparts worth exploring.

Empirical evidence show that Self-Help Groups (a variant of informal financial intermediaries) have proved veritable in financial resource mobilization, capital accumulation and investment in rural Nigeria - especially among the Igbos. Their savings mobilization potential is also held to be significantly high.

It is therefore expected "a priori" that harnessing the savings and investment potentials of the rural poor as evidenced amongst members of these groups is a sure way to breaking the vicious circles of poverty in areas where they exist. This will be achieved through a more effective channelling of saved funds to financing productive income yielding projects as may be designed by this study.

Enugu State, which is one of the nerve centres of Igboland, was purposively selected for the study based on empirical evidence on the availability of proliferating informal financial intermediaries (e.g. RFSHGs) in the state and the inherent mutual help philosophy among her rural dwellers. A cross-sectional multi-stage random sampling procedure was used to select six Local Government Areas (Abakaliki, Ezza, Enugu, Ezeagu, Igbo-Eze North and Nsukka) of the state and 30 RFSHGs (5 from each Local Government Area). On the whole, 150 members of the various RFSHGs were interviewed along with the respective group leaders.

Two different sets of structured questionnaires administered on members and leaders of the various RFSHGs generated data on their typology, social and organisational structures, savings mobilization and capital accumulation strageties, investment portfolio and portfolio management techniques and protocol, as well as their propensities to finance poverty alleviating projects at both group and individual levels. Basic poverty perpetrating features of rural Nigeria and/or rural dwellers were also identified.

The study showed that the RFSHGs varied by typology, social and organisational structures. The most common form of RFSHGs found in Enugu state were of the rotatory type. The predominant objective of formation of most of the groups (80%) was to mobilize funds for investment in various income yielding projects ranging from crop production, processing, storage and marketing to various forms of animal husbandry. Their membership strength varied between 12 and 180 persons per group with a mean of about 45 persons per group. Most rural dwellers were found to belong to an average of about 7 RFSHGs simultaneously.

Their savings mobilization and capital accumulation potentials varied in different sub-types of the groups studied. Generally, their membership cut across various economic strata with annual incomes clustering between ₦20,000.ØØ to ₦40,000.ØØ for 80% of the respondents. Average annual income per member was estimated at ₦24,850.ØØ. Most of the members were in their middle ages with an overall mean of about 42.50 years.

Meetings were held regularly as a means of regular savings mobilization, capital accumulation and investment appraisal on collective basis. Over 60% of the groups had weekly meetings. Three major types of funds were kept by the groups comprising regular savings (contribution) fund, contingency fund and special project (investment) funds respectively. Savings contributions were arranged to synchronize with regular meeting c cycles while the contingency fund and special project funds were contingent upon identified needs as defined by each group. These did not follow meeting periodicity but were rather circumstantial. The contribution size varied with the number and types of funds kept by the group. The 3-fund type mobilized the largest amount and was predominant among respondents (83.33%). They also had the largest membership strength, better established structures, more financial instruments and broader goals. Their propensities to save and invest were also higher than in the other sub-types. While 60% of their total investment fund was used to finance agricultural projects on group basis, over 80% of their loaned funds was used on individual members' farm entr-prise(s). In comparison to other facets of rural finance, RFSHGs contributed about 93% of group investment capital and 87% of individual members' investment capital. Thus, of all the other facets of rural finance, RFSHGs were most efficient in mobili-zing investment capital for rural dwellers and their general effect on productive project financing is commendable.

Their investment portfolio management techniques, though largely vested on leadership, was veritable. Default cases were minimal due mainly to moral suasion, peer pressure and social sanctions rather than legal actions.

Most of the alternative sources of finance for agricultural projects in the study area have not been efficient when judged both in terms of loan volume as well as the coverage of indi-viduals whom they reached. On the other hand, there were significant positive linear correlations between membership of

RFSHGs and members' saving and investment potentials. Group-induced investments were also related with members' productivity and net income in a positive linear fashion. Generally, the effect of RFSHGs on financing poverty alleviating schemes in the study area was positive.

Even though the rural sector is fraught with some poverty perpetrating features (surplus consumption, underemployment of labour and other resources, extended family system with the consequent increased dependency burden on productive individuals, illiteracy, inclement macro-economic and political policies, unfavourable institutional framework etc), these FSHGs were found veritable in the attempts of the Nigerian rural poor to break the vicious circles of poverty through self-help effort.

5.2 Recommendations

With respect to the study, major poverty perpetrating characteristics of rural Nigeria ranged from low productivity in the primary occupation of the rural poor - agriculture to lack of capital for investment and the general attitudes of the rural dwellers. These are aggravated by the empirical failure of the formal and institutional facets of rural financial intermediation in Nigeria. It is therefore recommended that:

(a) Nigeria's rural development policy and programmes be tailored towards harnessing the percieved qualities of these financial self-help groups. The programmes as presently constituted do not adequately harness the Self-Help philosophy inherent among rural dwellers. Savings mobilization, capital accumulation and investments have therefore been low.

(b) Greater exposure to viable/profit yielding channels where they can earn incremental incomes and probably save more funds would go a long way to increasing the contribution of these FSHGs - membership to the microeconomy of the rural poor. This could be achieved by equiping rural development agencies and financial intermediaries with basic investment management skills for onward transmission to rural dwellers via these groups.

(c) Initiating and sustaining links among sister groups and other forms of linkages with formal financial intermediaries is also recommended. While the former (inter-group linkages) would bring about a more beneficial fund flow between RFSHGs having"surplus" or "lacking" loanable funds (ie controlling excess liquidity and/or cash-squeeze at both extremes), the former (RFSHG-Bank linkages) would enhance a more effective integration of these groups into the mainstream of rural finacial intermediation in Nigeria. These could be achieved by encouraging inter-group forums at village, town and local government levels. This would gradually grow to an intermediary forum among member-RFSHGs and other formal financial intermediaries such as Banks. This inter-group and group-bank facility would also make it possible for RFSHGs to pool more funds and accumulate more capital resources for their identified investment projects.

(d) Possible linkages and/or integration between RFSHGs and other formal facets of rural financial intermediation especially banks, should be explored further by the Rural Finance department of the Central Bank of Nigeria. Most formal financial intermediaries are seldom suitable to and/or acceptable by rural farmers due to the unaccessibility, cumbersome procedures and loan rigidities associated with these sources (eg. Banks) by rural dwellers. This unacceptability-syndrome can be averted by integrating identified indigenous rural social groups such as RFSHGs into the mainstream of rural financial intermediation scheme of these financial intermediaries. For instance, disbursement of agricultural and/or rural development loan(s) from rural banks could be channelled through these groups serving as bank intermediaries. This could be effected through suitable linkage-policy-simulations to be formulated by the rural finance department of the Central Bank of Nigeria that would induce formal financial intermediaries towards developing and expanding financial relations with RFSHGs in order to increase the access of RFSHGs to the deposits and lending facilities of these formal financial institutions. A bottom-top approach to this linkage project is recommended. Branch management of rural banks should be authorized to fish out prolific RFSHGs which would serve as intermediaries between the branch and rural farmers in issues bordering on agricultural loan disbursement and, viable agricultural project selection and implementation, aided by bank supervisors as may be warranted by the specific project.

Finally further enquiries into the subject should be encouraged by Research Institutions and/or various arms of government in order to explore possible schemes that would integrate RFSHGs into the mainstream of the country's financial system.

5.3 Conclusion

From the findings of this research work, these conclusions have been made:

Rural Financial Self-Help Groups (RFSHGs) are widespread in the study area and virtually all rural individuals are members. It was difficult to find an adult in Enugu State who belonged to less than 2 different groups at each point in time.

They are well organised and adapted to the socio-economic milieu of the rural poor. They have functional and operational modalities suitable for effective mobilization and use of funds among rural dwellers. They have increased members' propensities to save and invest, especially in group projects and have on-lending schemes (ie loan/credit portfolio) that were predominantly channelled to financing income yielding investments of individual levels.

They have a more positive effect on agricultural/development project financing than other facets of rural financial intermediation schemes (eg. banks) when judged both in terms of loan volume and the coverage of individuals whom they reached as we well as their influence on financial management potentials of beneficiaries - the rural poor.

Finally, the entire fabric of Rural Financial Self-Help Groups (RFSHGs) have critical implications for rural financial intermediation process in Enugu State and the general effect on agricultural project financing as well as the general micro-economy of members (rural dwellers) are positive.

Their implications for poverty alleviation in rural Nigeria hinges largely on their proven ability to increase members' propensities to save and invest at both group and individual-member levels. Their implications for the standard of living on non-members through their loan portfolio and the externalities of group projects on the rural economy is also significant.

Since increased saving is a sure way to increase availability of investible fund by the saver (Benton, 1970) and; volume of investment is positively linearly correlated with individual productivity and income earnings (Dernburg and McDougall 1980, Lipsey, 1983, Kropp et al, 1978, Keynes 1934 etc.) the effect of these groups on poverty and income distribution in rural Nigeria is obvious.

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