

RURAL FARMERS CREDIT SUFFICIENCY FROM INFORMAL FINANCIAL SELF-HELP GROUPS: IMPLICATIONS FOR AGRICULTURAL PRODUCTION IN DELTA STATE, NIGERIA

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Abstract

The study investigated how the indigenous informal financial methods, the Non-rotating self – help groups were being used by the rural farmers to support their agricultural production. The study area was Delta state. Multi – stage random sampling procedures was used to select 148 respondents, made up of farmers and officials used for the study. Data was collected with structured questionnaire, oral interview schedules, and group discussions. Data was analysed with descriptive statistics of percentages and means. Results show that the Non- rotational self –help groups have a simple organizational structure and operates two types of fund _ the non-rotational fund and the contingency and emergency fund, from where members obtain credit. Problems of the Non-rotating self-help groups include delay in releasing their fund by the banks and inadequate record keeping. It was recommended among others that the self –help groups be allowed to exist as part of the rural financial inclusion. However in order to help the system there should be a follow up with regulation frame work and enlightenment on self-help group activities.

Keywords: Rural farmers Credit sufficiency Self-help- groups

Introduction

Agriculture in Nigeria is sustained by rural small-holder farmers who constitute about 70% (Nigeria Bureau of Statistics – NBS -, 2017). Some of them are engaged in farm supply, majority are engaged in farm production while others are involved in product processing, marketing and distribution to the final consumers. These small-holder farmers encounter many problems in their agricultural production; among them is access to finance. In an attempt to solve the financial problem of the small-holder farmers, the government adopted a variety of strategies to provide access to credit to the rural farmers. Among the programmes introduced were the Agricultural Credit Guarantee Scheme (ACGS) and the Rural Banking Scheme as operated by the commercial banks, and Bank of Agriculture (BOA). Other more recently introduced institutions and supposedly more grassroot oriented include Micro Finance Banks (MFBs) and Micro Finance Institutions (MFIs) owned by Non-Governmental Organisation (NGOs). The interventions are intended to provide financial and banking services and inculcate banking habits to rural dwellers. The financial intermediations are supposed to evolve strategies that will facilitate institutional sustainability which will make for participation of a majority of the rural small-holders or serve purposes that are perceived to indirectly benefit most rural dwellers. However the services of these formal financial institutions has made the indigenous informal self-help groups (SHG) existing in the rural areas of great importance to the farmers both in terms of capital accumulation and credit availability.

According to Subramanian (2010) Self-help groups are small informal economically homogenous affinity associations of the rural poor created at the grassroots level for the purpose of enabling members achieve the following: saving small amount regularly; mutually agreeing to contribute a common fund and meeting their emergency needs. Other purposes include: collective decision making; solving conflicts through collective leadership and mutual discussions; and providing collateral free loan with terms decided by the group at meetings. Self-help groups have been able to mobilise small savings either on weekly

or monthly basis from persons who are not expected to have any savings. SHGs have been able to effectively recycle the resources generated among the members for meeting their productive needs and emergency credit needs.

Kaira, Anil, Tonts and Siddique (2013) observed that the wide range of services provided by these informal SHGs, the techniques they employ and the cultural contest they represent all have critical implications for rural finance in the country. Experience in rural development has shown that efforts at expanding the economic base of the rural areas almost always flounder because of scarcity and restrictive access to loanable funds. The rural small-holder farmers financial constraints and limited access to formal credit sources may have necessitated their increased participation in savings and credit systems that rely on traditional pattern of social relations and control. The resistant nature of these indigenous associations despite the existence of the formal financial institutions point to the possibility that they may contain desirable elements that are conducive to local resource accumulation. These desirable elements seem to be lacking in modern financial institutions.

Problem Statement

Nigerian Government aware of the role the rural small-holder farmers play in the country's agricultural production has been advancing credit through the formal financial institutions to the farmers. The credit hardly gets through to the farmers due to official bureaucracies and financial leaks. On the other hand the Micro Finance Banks (MFBs) and Micro Finance Institutions (MFIs) which are mostly owned by communities and Non-governmental Organisations (NGOs) respectively are not faring any better in advancing credit to the rural small-holder farmers. In a survey conducted by Central Bank of Nigeria – CBN – (2004) over 78 percent of the MFIs financing was for trading activities while 14.1 percent was for farming activities. This is because of the quick and high returns that come from investment in trading compared with the long gestation periods and lower returns that are associated with farming.

Among the indigenous financial associations is the Non-rotating Self-help group which have been described in

ethnological literature (Sachel and Damachi, 1982) but have rarely been isolated and studied independently to explore their use as a source of capital accumulation and credit delivery to small-holder farmers. The study was therefore undertaken to explore among others how these indigenous informal financial Non-rotating SHGs accumulate capital and meet the credit needs of their members for farm production without depending on formal loanable fund and other informal rural financial sources.

Objectives of the Study

The study investigated how rural farmers achieve credit sufficiency for agricultural production from informal financial non-rotating self-help groups in Delta State, Nigeria. The specific objectives were to:

- determine the organisational structure and method of operation of the indigenous informal financial non-rotating self-help groups in the study area;
- examine and analyse the techniques used by the indigenous informal financial non-rotating self-help groups to accumulate capital;
- ascertain the strategies employed in disbursing and extending credit to members;
- identify constraints that limit the operations of indigenous informal financial non-rotating self-help groups; and
- make useful recommendations that will help improve the services of the indigenous informal financial non-rotating self-help groups to the rural small-holder farmers.

Materials and Methods

Study Area

The study area was Delta North Agricultural Zone of Delta State. The rural areas of Delta North were predominantly farmers who were engaged in different indigenous informal financial self-help savings and credit groups. However only the non-rotating self-help groups were studied.

Sample and Sampling Procedure

Multi stage stratified random sampling procedure was used to select the sample. The first stage was the selection of 3 Local Government Areas (LGAs) from the 9 LGAs that made up Delta North Agricultural Zone. The LGAs selected were Oshimili South, Aniocha North and Ndokwa West. The second stage was the selection of 3 villages from each LGA giving a total of 9 villages used for the study. The LGAs and villages include: Oshimili South – Oko-Anala, Okwe, and Ogbele; Aniocha North – Idumuje Uno, Ugboodu and OnichaOlona; Ndokwa West – Ewulu, Ishiagu and Ossissa. The third stage was the selection of 2 indigenous informal financial non-rotating self-help groups giving a total of 18 non-rotating self-help groups. Finally purposive sampling technique was used to select the respondents. Because of the small number of members in each group, all the group members were sampled giving a total of 148 member respondents used for the study. The communities, the SHGs and the member respondents are given in Table 1 below:

Table 1. Self – Help Groups and Members in Each Community

Community	Name of Group and No of Members in the Group	Total Group Members in Each Community
OkoAnala	Ofuobi	8
	Faith	7
Okwe	Udoka	10
	Ezaifakaego	8
Ogbele	Jesus	8
	God's time	8
IdumujeUnor	Goodluck	6

	God's time	9	
Ugbodu	Reighners Successful	10 7	17
OnichaOlona	Aku Prosper	10 10	20
Ewulu	Rock of Ages Uba	6 8	14
Ishagu	Winners Nwanneka	9 8	17
1. Ossissa	Wisdom Progress	9 7	16
Total			148

Data Analysis

Data was analysed using descriptive statistics of frequency distributions, percentages and mean.

Findings and Discussions

Organizational Structure

Findings revealed that the indigenous informal financial non rotating self-help groups have an elected executive of 3 members in 16 of the groups studied whose tenure span over 4years. However in many of the groups the executive can stay for more years if their performances are commendable. In most cases firmness, honesty and fairness to members are what prolong the executives stay. The executive was headed by a Chairman followed by a Secretary and a Treasurer who also act as the financial secretary. In the remaining 2 groups there were only two member executives, the chairman and the treasurer who also doubles as the secretary.

The Chairman presides over meetings, listens to all components and with the members of the executive disciplines, sanctions, fines, approves and disburses funds to members. The secretary keeps the minutes of the proceedings while the treasurer collects contributions and disburses contributions or loans to members

after approval has been granted. The treasurer also works out the amount each farmer (member) will have to pay to meet the target sum required for the seasonal farm, activities. In all the groups studied, the post of secretary and treasurer were occupied by members that were literate in English Language. They were mainly retired teachers or civil servants who have returned to the village and have taken to farming as an occupation. The treasurer in addition must have knowledge of banks operation systems.

There were 2 types of meetings usually held. The first one was in the evenings of every market day. The market days were usually every four days. The main objective of choosing the market day was to reduce default as regards to member contributions since most often members have something to sell on market days. Meeting on market days also help members to escape sanctions and fines that will come for defaulting in their contributions. The market day meetings were usually brief it was for members to pay up their contributions or indebtedness. Sometimes members do not physically attend but send their contributions by proxy. The procedure was

not taken as an offence and fines were not usually collected.

The second type of meeting was usually held once a month in 66.7 percent of the groups studied and once every two months in 33.3% of the remaining groups studied. This is the general meeting in which every member is expected to be present. Proxy is not allowed and fines were collected. Absenteeism must be with cogent reason. In this meeting, matters concerning the Association was discussed ideas were pooled on how to make the association progress.

Techniques Used for Capital Accumulation

There were two types of savings fund operated by the group namely, the non-rotational savings and the contingency and emergency savings.

The Non Rotational Savings Fund

This was the main savings of the groups. It was also the main objective for setting up the association. At the end of the farming season and approaching harvest, the executive calls for estimates for the next farming season from individual members. The estimates include cost of renting land, land preparations, inputs to be used, labour, purchase of implements, transport, processing, marketing, repairs and erection of farm buildings and structures. The estimates usually include size, quantity, type and number of items required from a prepared price list. The treasurer works out the total amount that members will pay in order to meet the financial farm requirement. The final figure that, the member will pay was projected a little above the total estimate worked out for the member. The main purpose was to ensure that the farmer does not fall below the real estimated amount. Other reasons include price changes and unforeseen contingencies.

Table 3. Mean Amount Mobilized for the Contingency and Emergency Fund, Registration, Fines, Levies and interest

Community	Mean Amount Mobilised and Savings	Mean Amount Mobilised from Registration Fines, Levies and Interest	Total Amount Mobilised for Contingency Fund
	₦	₦	₦
Oko- Anala	97,160.48	48921.60	146082.00
Okwe	98602.00	16600.00	115202.00
Ogbele	131906.40	24840.56	156746.96
IdumujeUnor	144524.00	36044.40	180568.40
Ugbodu	187524.40	51200.00	238724.40
OnichaOlona	47062.00	29246.40	76308.40
Ewulu	85720.40	24080.40	109800.80
Ishagu	123241.20	24940.72	148181.92
Ossissa	70,766.40	32524.80	103291.26

Total	986507.28	288398.88	1274906.16
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Table 2 showed mean amounts mobilized from savings, registrations, fines, levies and interests. Observations showed that savings mobilization in all the groups were higher than mobilization from registration, fines, levies and interests. During the focus group discussions, members gave reasons such as the registration fee being low and members hardly attract fines since they know the constitution guiding the group and try to avoid them. Levies were organized during celebrations like marriages, births, deaths and title taking among others. Again levies were low since the celebrating members usually provide enough entertainments for the group. The group only provides gift. Loans also attract low interest rate of between 2 to 3 percent per annum of monthly equal installments. Furthermore a member could use all or part of the contingency savings to offset the loan.

Strategies Employed in Disbursing Fund and Extending Credit to Members.

Disbursing the Non-Rotational Savings Funds.

The disbursement from the non-rotational savings funds from the different groups are discussed in Table 4 below.

Table 4. Annual Amount Contributed and Disbursed From Non – Rotating Funds

Community	Mean Actual Amount Contributed	Mean Actual Amount Disbursed ₦	% of the Mean Actual Amount Disbursed and Amount Contributed	Different between the Mean Amount Contributed and the Mean Amount Disbursed ₦
1. Oko – Anala	381363.00	367044.85	95.0	19,318.15
2. Okwe	149873.34	149873.34	97.0	4635.26
3. Ogbele	226380.24	215061.23	95.0	11319.01
4. IdumujeUnor	221162.36	210104.26	95.0	11058.10
5. Ugbodu	295304.64	280539.41	95.0	14765.23
6. OnichaOlona	187112.52	181499.16	97.0	5,613.36
7. Ewulu	143622.36	139313.69	97.0	4308.67
8. Ishagu	292127.72	277521.33	95.0	14606.39
9. Ossissa	195516.64	189651.14	97.0	5865.50
Total	2102098.08	2010608.43		91489.65

The actual estimates were disbursed but the percentages projected estimates were kept back if there were no price changes for the season farming. The entire savings were not disbursed once to members. The disbursements were made installmentally as the farm operations approaches. Reasons given include that the farmers may use it for other contingencies instead of using it for farm production which was the purpose of the contribution. The farmers may also really have the intention of using the contribution for farm purpose but since some of the farm operations for which the contribution were meant to serve were still some distance away they

may be able to hold on to the full amount if disbursed. In 8 of the groups there were monitoring committees that check the use of the fund by the farmer. However from observation and participation majority of the members use the fund for the purpose they were meant to serve.

Total 5. Annual Sectorial Disbursement to the Different Farm Operations from Non – Rotating Saving Fund

Farm Operations	Mean Amount Disbursed	% of Mean Total Amount Disbursed
1. Renting Land	125663.63	6.20
2. Land Preparation	251326.05	12.50
3. Inputs	653447.73	32.50
4. Labour	226193.45	11.25
5. Implements	251326.05	12.50
6. Transport, Processing and Marketing	125663.03	6.25
7. Repairs/Erection of Farm Structures and buildings	376989.07	18.75
Total	2,010608.43	100

Table 3 showed sectorial disbursements to the different farm operations from the non-rotating fund. The costs of the farm operations were disaggregated to ascertain the contribution of each sector to the total cost of production. Table 3 also revealed that farm inputs (32.50), repairs/erection of farm structures and buildings (18.75%), land preparation (12.50%), implements (12.50%) and labour (11.25%) were farm operations that demand most of the funds. Fund demand for labour was observed to be low. This was probably due to the fact that family and community labours were common among the farmers. This finding is in line with NBS (2017); Akanni and Dada (2012) and Takane (2008)

Disbursing and Extending Credit and Repayment of the Contingency and Emergency Fund

Part or whole of the contingency and emergency funds contributed by a member could be requested for by the member and it is granted. However, a member cannot withdraw more than what was contributed. Any additional withdrawal was granted as loan with interest. The interest rates of the group studied ranged from 2 to 3% per annum on the amount borrowed at equal installment basis. To discourage too much borrowing in 80% of the group studied, a member cannot borrow more than double the amount that stands as a member's balance. The total amount given as loan to the member will not exceed the total amount that is in the non-rotational savings account. The non-rotational savings account serves as member's collateral

Table 6: mean annual loan disbursements and repayment from the contingency and emergency fund

Community	Mean amount available for loan N	Mean amount disbursed as loan N	% between mean amount available and meant	Meaning principle amount repaid N	% repayment
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			amount disbursed		
Oko – Anala	110423.20	74403.15	67.38	71680.00	96.34
Okwe	40201.00	25419.09	63.23	23319.47	91.79
Ogbele	78362.02	45920.14	58.60	44404.77	96.70
IdumujeUnor	90344.20	63575.21	70.37	56028.00	88.13
Ugbodu	51922.20	32866.75	63.30	30520.07	92.86
OnichaOlona	44154.20	30,000.00	67.94	29076.00	96.92
Ewulu	54900.00	31199.67	56.83	22320.24	71.54
Ishagu	74211.50	50463.82	68.00	41592.28	82.43
Ossissa	52251.62	26496.80	50.71	23608.65	89.10
Total	596769.94	380344.63		342549.48	

Table 6 also showed loan repayment by members. Observations showed that loan repayment rate was high. These observations were also made by Ezihe, Akpa and Ayoola (2016) and Afolabi and Kamla (2010). Members rarely borrow more than their contributions to the fund. This may be due to the fact that some members usually belong to other savings and credit organizations as observed by (Nweze, 2008). The fund from these other organizations could be used to settle the non-farm problems. Another reason may be because the non-rotational savings fund was kept mainly by members for farm production purposes.

Constraints that Limit the Operations of the Informal Financial Self-Help Groups.

Problem of the Formal Financial Institutions

All the respondents used for the study identified the formal financial institutions as a problem. The problems mentioned include fewness or absence of the banks in rural areas, problem of collecting their deposit from the bank and fear that some of the banks especially the micro - finance banks owned by influential individuals may fold which may lead to loss of their deposits. Findings also revealed that in 1997, three (3) of the groups banking with a community bank lost all their deposits when the bank suddenly went bankrupt and folded. All efforts made to retrieve their deposits failed. The major factor being that majority of the members were illiterate and also the groups do not have any legal backing and government did not come to their aid either. Due to the problem of getting their deposits from the rural banks that were close to them many of the groups (13) studied now prefer to deal with commercial banks in the city.

Inadequate Record Keeping

There was good record keeping in eight (8) of the groups where the treasurer were retired teachers and financial workers. However majority of the groups (10) were only concerned with basic record keeping like deposits and withdrawals and marking of attendance register. Working the details of the amount to be paid by each member and interest rates were difficult areas that need attention. Sometimes members' children who were educated or were in tertiary institution were usually co-opted to help in record keeping.

Conclusion

The study have shown that indigenous informal financial non-rational self-help groups can play great roles in financial intermediation of the rural economy if properly harnessed and given the right environment, Government should therefore avoid direct intervention and control in informal rural financing since this has been fraught with abuse, leakages and the fund rarely getting to the farmers. The roles of government should be more of regulatory, supervisory and enlightenment. There should be guidelines for these informal financial non-rotating self-help groups. The guidelines should not destroy the traditional systems of savings and credit now available but should improve on it. Government should spend most of her resources on infrastructural development like providing feeder roads, electricity, and pipe born water, health facilities and education among others to the rural communities. These will help improve the standard of living of the rural farmers. It will also improve the productive capacity of the rural dwellers and increase the growth of the rural economy.

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