

THE IMPACT OF COMMUNAL AND THRIFT SOCIETIES ON RURAL DEVELOPMENT: A STUDY OF BIAKWAN COMMUNITY, BOKI LOCAL GOVERNMENT AREA OF CROSS RIVER STATE, NIGERIA

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Abstract

The study examines the role of communal contribution and thrift societies in the transformation of rural communities with reference to Biakwan community in Boki Local Government Area of Cross River State Nigeria. The study adopted the social survey method. Simple random sampling was used in selecting the 251 respondents that participated in the study. Key Informant Interview (KII) was also held with women, men and youth leaders within the community. The chi-square goodness-of-fit test was used to test the hypothesis at 0.05 level of confidence. Findings showed a significant relationship between participation in communal contribution and rural transformation. The recognition of already executed programmes and projects by government and subsequent encouragement of community members to continue with such transformative drive is recommended.

Keywords: Communal, contribution, thrift societies, rural development

1. Introduction

This study is to examine the impact of communal and thrift societies and its contribution to rural development in Biakwan community in Boki LGA of Cross River State. The study is anchored on the assumption that the global socioeconomic difficulties experienced by rural dwellers particularly in developing countries of the world which Nigeria is one have resulted to the adoption of different coping strategies, one of which is the communal

and thrift society contribution by individuals in order to improve their subsistence level and live a meaningful life (Phillipson, 1996). Though, prior to these socio-economic difficulties resulting from the global economic meltdown, communal associations such as age grade associations, voluntary club (members) associations, and socio-cultural associations' was a part of the traditional African culture. The pre-colonial economy of Africa societies was basically communal and subsistent in nature. People collectively engaged in production and shared the products of their labour. Colonialism altered this communal and subsistence economic structure through the introduction of taxation and thus compelling Africans to be involved in cash crop production in order to be able to pay tax which was mandatory (Idyorough, 2008). All these have serious socio-economic implication for the introduction of thrift societies where monies, labour and materials (depending on one's status and financial ability) are contributed for personal and general community development purposes. Under these circumstances, the members of these groups or societies gain some percentages of interest because the organization lend such collated monies and collect interests on specific periods on return.

Some of these communal associations serve as banks in rural communities since they assist members to keep their savings which they only collect at the end of the year. Also, it is important to note that contributing members have the privilege of loans without interest in times of need. The interest that accrues from lending to non-members and other financial assistance from other philanthropic organisation outside the community and non-governmental organizations are used for the execution of sustainable rural development programs. Because of the successes recorded by these communal and thrift societies overtime particularly in areas of sustainable rural development, the government (both at the federal, state and local levels) is and continues to encourage people in rural areas to form these associations in order to transform their communities. Also, government have at some point transformed this encouragement into policies and programmes meant to encourage such contributory cooperation in local people's behaviours, attitudes and general activities, with a strategic intension to achieve self help and sustainable rural development. Often times this is done through counter-part funding with organizations, cooperative societies, farmers associations as well as personal contributions among rural dwellers.

Despite the involvement of government, till date the formation of cooperative societies to develop humans (individuals) and the rural societies or communities have yielded little results to its original purpose and intension. Thus, different associations bearing different names have emerged; all geared towards rural transformation and improve welfare activities or benefits to the members and participants (Phillipson, 1996; Oni,

2001). To achieve this desire, community members therefore as earlier mentioned form groups and agree on what to contribute, either as resources/finances principally to improve their personal material wellbeing and socioeconomic status as well as the community at large. Others enter into such contributions to also partner with different government establishments and agencies for support and help towards achieving their set goals. Such contributions often time looks voluntary but with some element of compulsion in order to command compliance and popular participation. From whatever perspective, these communal contributions to a greater extent have purposefully helped in developing and inculcating in the society members a sense of personal worth, commitment and voluntary participation in executing rural development projects (Ekong, 1987). On the basis of this therefore that this study examine the impact of communal and thrift societies towards rural development in Biakwan community in Boki LGA of Cross River State. The specific objectives are:

- i. To examine the role of communal contribution in satisfying the needs of their members and that of the community;
- ii. To find out the reason for the preference of cooperative and thrift societies among Biakwan community members;
- iii. To determine the impact of cooperative and thrift societies in rural development in Biakwan community;
- iv. To explore ways of achieving sustainable transformation and development of rural communities.

1.1 Hypothesis

- H₁ There is no relationship between participation in a cooperative and increase in household income.
- H₂ There is no relationship between communal contribution services and improvement in the standard of living of rural people.

2. Literature Review

Studies have shown that in Africa and particularly Nigeria, there are numerous types and forms of cooperative and thrift societies. These cooperative and thrifts societies can be categorised into informal and formal. The informal cooperative and thrift societies operate outside the regulatory and supervisory system of the financial regulatory bodies and are our main focus in this review. Furthermore, these informal cooperative and thrift societies have played tremendous role in assisting the poor in rural and semi-rural areas of Nigeria due to long government neglect of such areas and the exclusion of the poor from financial assistance as a result of their lack of infrastructure and facilities to serve as collaterals for loans (Oluyombo, 2007; Akingunola and Onayemi, 2010).

In almost all part of Nigeria, individuals have carried out businesses and other development initiatives at rural levels through personal savings and small loans from family, friends and other informal associations (World Bank, 2000). The World Bank report continued that rural peoples' preference for the informal associations is owed to the extent of firmness and flexibility in sourcing for and repaying loans from these informal associations. The flexibility can be seen in the ability of prospective borrowers to access funds from these informal associations with ease and within a matter of a couple of days than it is obtainable in microfinance banks and commercial banks (Oke, Adeyemo, and Agbonlahor, 2007; Idowu and Salami, 2011).

It is important to stress here that the absence of collateral and security for loans is a major distinguishing factor between informal and formal providers and subsequently its preference by rural dwellers. Furthermore, these corporative and thrift societies usually charge an interest for any amount of money they lend. Depending on the agreement by contributing members of such associations, interest rates are charge on monies borrowed by non-contributing members but do not charge an interest for contributing members. The interest charge varies and lack uniformity and many parameters are put into consideration which may include amount, duration, purpose and season of the year (Buckley, 1997). Despite this non-uniformity on interest charged, rural people have over the years taken solace in the financial services provided by cooperative and thrift societies no matter how little such monies are, it has the ability to transform their lives to an extent. Supporting this position, Sizya (2001), in his study of rural Tanzania showed how cooperative and thrift societies proved their momentousness in the financial markets available to rural people.

Accordingly, Larocque, Kalala and Gaboury (2002), in their study on the importance of cooperatives societies, showed how instrumental these societies helped rural people in Burkina Faso by creating an avenue for rural people to enjoy the benefits of formal banking. Through the services rendered by these cooperative societies, rural people were able to achieve a good knowledge and benefits of financial services by participating in financial cooperatives. This position was also supported by Henry and Schimmel (2011) in their study in rural India which indicated that 67% of the financial needs of rural people in India are provided by cooperative societies. This suggests that cooperative societies are requisite companion in most rural areas of developing countries for the economic and social transformation of rural people. In a related vein, Iganiga (2008), found that in Nigeria, the formal financial system only serve about 35% of the economically active population. It therefore means that cooperative and thrift societies serve the remaining 65% of the population who are rural based. Furthermore, Edgcomb and Garber (1998), conducted a study in Honduras to determine

the impact on informal finance program at individual, household, enterprise and community levels. The study found that existing clients had more profits and clients enterprises improved as a result of modification in business from the monies gotten from cooperatives. This modification in business made it possible for such clients to employ more workers, improve the quality of their products and further source cheaper credit to increase their profitability.

A study conducted by Shaw (2004), on the causes of income related gap and the reasons for the differences between earnings of micro enterprises among poor and less poor clients found that financial support from cooperatives help to alleviate ill-effects of poverty. The study showed that 25% of households that were initially below the poverty datum line came out of poverty after receiving supports from cooperatives. Accordingly, Oloyede (2008), in a study on the effectiveness of informal financial sector in attracting rural finance for rapid rural development found that out of the 49 rural dwellers who applied for a loan in a formal financial sector, only five (10.2%) were successful but out of the 209 that applied for informal finance load, 205 (98.1%) were successful. This shows that cooperative and thrift societies are very vital in the transformation of rural areas in developing economies.

3. Methodology

The social survey method was employed for the purpose of this research work. This is due to the large population size and the difficulty involved in studying every element in the population. The study was conducted in Biakwan community, Boki Local Government Area of Cross River State. The population of the study consisted of all household heads in Biakwan community, Boki LGA at the time of the study. A total of two hundred and fifty (251) household heads were selected from the existing three hundred (300) households using the simple random sampling technique. The study area lacks the necessary infrastructure such as post boxes or street addresses or any other feature that could assist fieldworkers in identifying households for sampling. Hence, the researcher obtained permission from residents to chalk-mark each house or door with four digit figure starting from 001 and ending with 0251. These figures were then written on 300 pieces of cardboard, placed in a basket, shuffled and 251 pieces of cardboard was randomly selected. Each of the numbers was then written on a questionnaire for the fieldworkers during the conduct of the study. During the study, the number on the wall or door was correlated with that on the questionnaire. The researchers also conducted Key Informant Interview (KII) with fifteen (15) women, men and youth leaders in the community.

4. Result And Discussion

The research had to request for demographic information and data from respondents as presented in the tables below ranging from age, sex, marital status, religion, occupation and nature of employment.

4.1 Demographic and Socio-economic Characteristics of the Respondents

4.1.1 Demographic Distribution of Respondents

Table 4.1 below shows that the respondents for this study were drawn from both sexes. Though the survey composed of more female (56.2%, n=141) than male respondents (43.8%, n=110). This may be due to the fact that women are far more likely to participate in cooperative and thrift society in rural Nigeria and more likely to seek for assistance from cooperative society because of their poor socioeconomic position in rural Africa and Nigeria in particular. The age distribution revealed that all the respondents were in their economically productive age. Though those within the age bracket of 18 - 28 years had a higher representation (38.2%, n=96). The implication here being that this category of respondents are in the ages at which they can have a good view of the impact of cooperative and thrift societies in rural transformation in Biakwan community in Boki LGA of Cross River State. It was found that majority of the respondents were secondary school leavers (57.8%, n=145). This is likely to have implication for the poor state of most of the households interviewed since higher education overtime have been correlated with higher income. Occupation of respondents indicated that majority of the respondents 68.1% (n=171) were peasant farmers.

Table 1.0 Demographic distribution of respondents

Study Variables		No. of Cases	Percentages %
Gender	Male	110	43.8
	Female	141	56.2
Age	18 - 28 years	96	38.2
	29 - 39 years	71	28.3
	40 years and above	84	33.5
Educational attainment	Primary	74	29.5
	Secondary	145	57.8
	Tertiary	32	12.7
Occupation	Farming	171	68.1
	Trading/business	46	18.3
	Civil servants	16	6.4
	Unemployed	18	7.2

Source: Fieldwork 2009

As revealed in Table 2 below, respondents' preference for communal contributions varies. However, a significant number (38.2%, n=96) preferred communal contribution because it grant access to loan for members without collateral. Others saw the duration of loan processing to be okay since it does not take too long - representing 33.1% (n=83) of the respondents. Other reasons like methods of loan repayment are flexible (14.3%, n=36), and it is most convenient (12.7%, n=32) were advanced by respondents. Only a small fraction of the respondents (1.6%, n=4) stated that the inadequacy in loan monitoring and supervision discourages them from communal contributions. The reason as advance by majority of the respondents for preferring communal contribution is also associated with the complete absence of a formal bank within the community. Respondents were asked if they have participated in cooperative and thrift societies activities either by been members or have benefited from a loan and majority (87.6%, n=220) indicated that they are members and have also benefited from a loan, while only a small fraction (12.4%, n=31) of respondents stated that they did not participated and have not benefited.

4.2. Preference and Impact of Cooperative and Thrift societies.

Table 2.0 Reason for preference of communal contribution

Responses	Frequencies	Percentages %
Most convenient	32	12.7
Grant access to loan without collateral	96	38.2
Duration of loan processing is not too long	83	33.1
Methods of loan repayment are flexible	36	14.3
Inadequate loan monitoring and supervision	4	1.6
Total	251	100

Source: Fieldwork 2009

Furthermore, during the interview, a 51 years old woman leader with seven children stated:

I prefer communal contribution because it encourages me a peasant farmer with many children to save the small I can afford. I was also given a loan which I used in starting this business I am doing now. Now I am encouraged to increase my savings over a period of time because every increase in the volume of my saving serves as a means of getting a bigger value of loan in future (Interview with woman leader, aged 51 years).

Corroborating the above, another woman leader stated this concerning communal contribution:

It encourages savings habit and the small money I was able to get from them assisted me in sending my eldest son to school and also used the remaining in buying fertilizer for my farm. Communal contribution has

helped me to improve my farming and life (Interview with woman leader, aged 48 years).

The preference for communal contributions afforded community people the privileges (if they are contributing members) to freely express themselves on any issue about the scheme at the cooperative meetings. This brings about self esteem and sense of belonging among members. This also lead to less default on loan since members see themselves as “joint owners” and even outsiders who need a loan must be introduced by a contributing member and as such would not want the scheme to collapse because their savings may be lost if the cooperative ceases to exist. This supports the social capital theory as postulated by Basargekar (2010) that the effect of membership of financial association such as cooperatives is the collective responsibility that helps for better loan repayment.

Table 3.0 Distribution of respondent by household overall income

Responses	Frequencies	Percentages %
Increased	186	74.1
Decreased	39	15.5
Remain the same	26	10.4
Total	251	100

Source: Fieldwork 2009

We found that majority of respondents (74.1%, n=186), who stated that their household income have increased as a result of the assistance they received from cooperative and thrift societies. Those whose income decreased are 15.5%, while those whose income remained the same were 10.4%. The implication being an increase in economic condition and standard of living of community members as a result of the assistance received from cooperative and thrift societies. Interview with key informants further corroborates the position above. For example, a 47 years old female member who has benefited from the activities of the cooperative and thrift society stated as follows:

I was able to continue my education to the university on part-time basis through cooperative loan, rent a house and meet all my marriage expenses from them. I’m preparing for my father’s burial and I’m relying on another possible loan from the cooperative to meet the needs of the occasion.

Other benefits on household from cooperatives is the low interest charged on loan collected by the scheme compared with other sources such as the banks and money lenders. Many respondents stated that they took advantage of the low interest charge to secure a loan which helped them tremendously. For example, a community member who is a petty business owner and part time student of the College of Education Obudu stated:

The loan I took is sufficient for my business and they are charge only 1.25% per month as interest. Since I am using the money to transform my business and also improve on my level of education, I do not see this as a problem at all, at least now my business is improving as a result of the loan.

This was further corroborated by a 43 years woman as follows.

The interest rate is affordable (not too much). It enhances the stability of my business and has trained me on how to manage my resources.

Similarly, a male youth leader and had benefited from the loan stated:

The interest on cooperative loan cannot be compared with the banks. I have taken loans from both the bank and cooperative and I found that interest rate on bank loan is higher than that of the cooperative. Moreover, my experience shows that the bank interest keep increasing based on the changes in the economy within the life's span of the loan but cooperative interest is the same from the start to the end of the loan and hence a person can solve his problem without worrying about an increase in interest charge (Interview with youth leader, aged 36 years).

This corroborates the findings of Nathan, Brunet and Ashie (2004), that low interest charge on loan by cooperatives is encouraging rural people to secure loans for the improvement of families' standard of living. The findings therefore validate most quantitative and qualitative studies on the impact of cooperative and thrift society's impact on rural transformation.

Table 4.0 Cooperative and thrift societies have transformed rural communities.

Responses	Frequencies	Percentages %
Strongly agree	136	54.2
Agree	61	24.3
Disagree	31	12.4
Strongly disagree	10	4.0
Don't know	13	5.2
Total	251	100

Source: Fieldwork 2009

Respondents were asked on the impact of cooperative and thrift societies in rural transformation and majority (54.2%, n=136 and 24.3%, n=61) strongly agree and agree that cooperative and thrift societies have transformed rural communities. Only a fraction (12.4% and 4.0%) of the respondents strongly disagrees and disagreed respectively. Though, those who agree and strongly agree are in the majority. The implication been that individual farmers who were too small in terms of their farm holdings and were assisted by cooperative in facilitating quick transfer of technical knowledge by helping to nurture small groups with little financial means and encouraging improvement in farm produce. Corroborating the above findings, Olesin (2007) found out that cooperative societies transform rural areas by providing individuals with a pool of fund to meet respective needs.

This is also in line with Asaolu (2004) finding, which showed that cooperative societies are important instruments of social transformation especially in rural areas because of their usefulness in achieving increase domestic production of food, industrial raw materials, manufactured goods and equitable distribution of farm inputs, products and other commodities.

Test of Hypothesis

Hypothesis 1 There is no relationship between participation in a cooperative and increase in household income.

Household participation in cooperative and thrift societies was subjected to a chi-square test in order to determine the relationship between participation in cooperative and increase in household income at 0.05% level of significance. The calculated value is greater than the critical value; we therefore reject the null hypothesis and accept the alternate hypothesis. This means that participation in cooperative and thrift societies increases the household income of respondents.

Chi-square test result

	Value	df
Pearson Chi-square	210.7	2

Hypothesis 2 There is no relationship between communal contribution services and improvement in the standard of living of rural people.

Cooperative/communal contribution service was subjected to a chi-square test in order to determine the relationship between participation in cooperative/communal contribution and transformation of rural people living condition at 0.05% level of significance. The calculated value is greater than the critical value; we therefore reject the null hypothesis and accept the alternate hypothesis. This means that cooperative/communal contribution services transform the living standard of rural people.

Chi-square test result

	Value	df
Pearson Chi-square	196.2	4

This finding is in line with that of Oke, Adeyemo and Agbonlahor (2007), which indicated that participation in cooperative is associated in household increase and transformation in the living standard of rural community members. Hence, the more cooperative and thrift societies are able and willing to give loans to rural people, the better for rural people to increase household income and reduce poverty. Furthermore, this means that any effort to hinder rural people from accessing loans from cooperatives and thrift societies without commensurate alternative will make community

members more vulnerable to poverty, reduction in the standard of living and perpetual financial hardship.

5. Conclusion And Recommendations

The study has unveiled the role of cooperative/communal contribution and thrift societies in the transformation of household incomes in particular and rural communities in general. Furthermore, the problem of poverty in Nigeria is associated with the long neglect of rural areas by government at all levels. Furthermore, almost all policies of government have failed to transform the lives and living standard of rural dwellers. Hence, rural dwellers had to develop other means of raising their standard of living through communal contributions. In the light of the above, the following suggestions may be found useful:

- More communities and individuals should be encouraged to participate in community contributions;
- Government and her agencies should through the state planning commission liaise with the various communities for continuous rural development relationship.
- Existing (NGOS) non - governmental organizations should encourage individuals and community groups in community participation and development.
- More educational programs should be organized for community leaders and members for more patronage, participation and cooperation.
- The already executed programmes should be recognised by government in order to command more interest and further encourage more participation by community members in the future.

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