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AN ASSESSMENT OF BANKING BEHAVIOUR OF RURAL DWELLERS IN NIGERIA

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Abstract

Rural dwellers like their urban counterparts have diverse system of banking methods. Process of savings their money sourcing for funds and lending money to boost their productivity as well as improving their standard of living and general wellbeing. This paper investigates the banking behavior of rural dwellers in Plateau state; North Central Nigeria. Descriptive and inferential statistics were used to analysed the data. SPSS Statistics software version 23.0 was used for the analysis. A p-value of less than 0.05 was considered statistically significant. The study aimed at assessing the banking behavior of rural dwellers in Nigeria with emphasis on Plateau State. It was also aimed at identifying factors associated with choice of banking method among rural dwellers in plateau state. The methodology used for this study was a well-structured questionnaire for collection of data on banking behavior of rural dwellers. A total of 384 questionnaires were administered across, three (3) Local Government in Plateau State (Riyom, Kanke and Quanpan). Based on the findings, it was discovered that most rural dwellers adopted conventional method of banking than the non-conventional banking method. It was also discovered that conventional banks are more secure than the unconventional/informal banking methods. However, the rural dwellers were of the perception that conventional banks are cited far away from the rural areas and also, there are bureaucratic processes and high interest rate in conventional banking which are major factors among others that associated with conventional banking methods.

Key Words: Rural Dwellers, Savings Behavior, Customers Satisfaction, Credit Behavior, Banking Behavior.

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Introduction

United Nations (2014) reported that the world population is currently estimated to be over 6 billion of which about 52% resides in rural areas. Rural areas are blessed with abundant mineral resources most of which are yet to be exploited (Ishaku, 2011). In Nigeria, it was also estimated that 70% of the total population resides in rural areas and over 80% of these rural households are engaged in agricultural pursuit and they depend majorly on farming and related activities as their source of livelihood (Akinola & Aloba, 2014). One of the major constraints to rural development is the problem of inadequacy of financial capital which has a greater influence on level of productivity and general wellbeing of the rural household. Awosika and Nwoko (2013) reported that the relevance of the financial institution (banks) in the rural areas are to enhance productivity and promotes standard of living and expose them to financial opportunities to break the vicious cycle of poverty in the rural areas (Kamel, 2005). Over the years, government has rendered many efforts to address the issue of agricultural financing and improving rural household's standard of living thereby increasing agricultural productivities. But unfortunately many of these efforts have not being fruitful nor impact meaningfully on the lives of rural dwellers because most of the funds in the rural end up in wrong hands and in the pockets of the rich urban dwellers. Savings are very imperative for supporting and developing rural industries. Directly, saving could be used for investment. Indirectly, saving indicates repayment ability, also increase credit rating and as collateral in a credit market (Okoye & Okpata, 2008). In many cases, rural entrepreneurs meet their financial need through informal credit market although its interest rate sufficiently high.

Household saving is usually the largest component of domestic savings in developing countries, especially the lower-income, predominantly from agricultural practices. This contrasts with the much greater importance of corporate saving in developed countries. The inability, willingness and opportunity of households to save over time can therefore, significantly influence the rate and sustainability of capital accumulation and economic growth in developing countries (Smith, 2011). The roles of banks either formal or informal cannot be over emphasized in that they perform intermediate functions between savers and those in need of credits. Based on the foregoing, the current research is analyzing the banking behaviour of rural dwellers in Plateau State.

Rural households are generally characterized by poverty and this has over the year affected their agricultural and other livelihood activities especially their ability to access banking services and this forms the major basis of the research. Before the inception of conventional financial institution, rural households have been involved in saving, borrowing and lending activities. The advent of modern banking systems has brought a lot of opportunities aimed at improving the banking behaviour of the people. The relevance of banks and financial systems in the economy development of any nations cannot be overemphasized. The abundance of resources within the country resides in this rural and most of the time unexploited or underutilized as a result of vicious cycle of

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poverty that have bed ridden the economic activities of the rural areas. This at the long run resulted in low agricultural outcomes as well as unproductive nature of rural enterprise due to the ineffective financial system. This in turn has greatly affected their livelihood, means of living and most importantly, their attitude towards banking. It is important to note that no studies have been conducted on assessment of banking behaviour of rural dwellers in plateau state. Hence, this study is considered timely.

LITERATURE REVIEW

Buragohain T., (2009) examined the determinants of rural saving in the process of economic development, in the beam of the Taiwanese experience from 1952 to 99. They found that the rural saving rate rises with both the intensity and the rate of augment of rural disposable income and that the real deposit rate has a significant affirmative impact on saving. They concluded that improved accessibility of social security provisions and improved credit availability in addition appear to cut saving.

Nga (2017) examined a general idea of rural saving in South Africa from 1983 to 2003. A qualitative analysis is used to infer secondary data and a typology case study was presented.

Moseley (2013), used an overlapping generation model to analyze the impact of financial liberalization on rural savings in the lifecycle framework.

Iganiga B. O and Asemota A. (2008) evaluated influence of rural saving mobilization on economic development of rural dwellers. Primary data through questionnaire were collected of 100 respondents from 5 villages of Nigeria. Ordinary Least Square Method was used for estimation. Results showed that Income, Human Capital, Investment and Assets were positively contributing to total savings. It was also concluded that 98 percent variation in total savings was explained by income, human capital, investment and assets. It was also suggested that rural dwellers should be properly mobilized to join co-operative $societies.

Kraay (2017) examined the determinants of the saving behavior of the tribal and rural in the district of Visakhapatnam. The data of 120 samples rural was collected from both tribal and rural by using interview schedule. Multiple regression model and logistic regression model were used for finding out the determinants of saving behavior of rural situated in tribal and rural areas. The results ultimately revealed that the age of the head of the rural, sex, dependency ratio, income and medical expenditure are significantly influencing the saving behavior in the entire study area. In the tribal area, dependency ratio and medical expenditure has severely affected of rural savings. Income is the most crucial factor of the saving behavior in the entire study. It was found that male headed rural save more than female headed rural.

METHODOLOGY

Methodology means the "blueprint of how to obtain answer to the questions being studied especially with regards to method and procedures". These include the research

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design, area to study, population of the study, sample size, sample technique, method of data collection. It exposes the methods and procedures used in obtaining relevant information and materials for the research work and the techniques for analyzing the data.

Study design: The study was a survey research design and both descriptive and inferential statistical analyses were adopted.

Study Population: The target population for the study comprises three local government areas in plateau state which are Riyom, Qua'anpan, and Kanke.

Sampling Technique and Sample size

The study was based on a population of less than a million (Census, 2006). A sample size of 384 was drawn from the three local governments (128 sample each). The choice of sample size which was 384 on the population of less than one million was based on the adoption of Krejcie & Morgan (1960) as cited by Olateju (2015) sample size's table. Questionnaire method was adopted for collection of data. A multi-stage random sampling technique was used. This involves many stages and give opportunity to reach the actual subject of a sample directly. This method also involves division of the entire population progressively into smaller groups according to principles or randomness until the final sampling unit is reach (William. C, 2013).

Method of Data collection: A primary method of data collection was employed in collecting the data. Questionnaire method was adopted and the sampling instruments involve socio-economic characteristics, choice of banking methods and attitude of respondents towards conventional banking. The Questionnaires were administered randomly to individuals in each of the three local government and 100% were returned.

Test for reliability

Cronbach Alpha Reliability test which is a criteria for determining the level of consistency was adopted. The standard Cronbach Alpha Reliability value ranges from 0.00 – 1.00 (Cronbach's Alpha, 1952). Reliability value 0.0 means no consistency; 0.70 means more consistency while 1.00 means perfect consistency.

The study revealed that the Cronbach's Alpha value for the items selected was 0.885 which shows that the instrument is valid and reliable.

Method of Data Analysis

The data obtained from the respondents were analyzed by descriptive and inferential methods. Inferential statistics such as Probit Regression was employed to determine the choice of banking method as it relates to demographic characteristics and sources of income. This is given by: $\Pr(y-1) - F\beta_o + x_1\beta_1$

Where: Pr = Probit function

Xi = nxk matrix of explanatory variable

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Bi = kx1 vector of parameter to be estimated

F = cumulative probability distribution

The probability of choice of banking method is a function of the vector of unknown parameters. The specified choice of mobile bankers' model is given as:

$$y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 \ldots \beta x_n + \varepsilon_1$$

- Where $y = mobile\ bankers\ (dependent\ variable)$
- $x_1 = gender\ (male - 1, female\ 2)$
- $x_2 = age\ in\ years$
- $x_3 = Household\ size$
- $x_4 = marital\ status\ (non - married - 1, married\ 2)$
- $x_5 = years\ of\ formal\ education\ in\ years$
- $x_6 = Cash\ crop\ production$
- $x_7 = Arable\ crop\ production$
- $x_8 = Saving\ in\ conventional\ bank$
- $x_9 = Livestock\ production$
- $x_{10} Traditional\ leadership$
- $x_{11} = Artisan$
- $\mathcal{B} = Coefficient$
- $\varepsilon_1 = error\ term$

RESULT

Demographic Characteristics of Participants

Out of the 384 participants who took part in the survey, more than half (58.9%) were while 41.1% were female. This shows that male to female ratio was 1.4:1.

Participants were classified into 18-25 years, 26-35 years, 36-45 years and above 45 years respectively. Most of them were between 26-35 years (42.7%). Overall mean age of participants was 33.5±6.7 years.

Majority of the participants (70.8%) were married while those without marriage comprises of singles (17.4%), Divorced (1.6%) and Widowed (10.2%) respectively. There more Christians (82.6%) than muslim in the rural communities.

On educational qualification of the rural dwellers, it was discovered that most of the rural dwellers (45.1%) had secondary education. However, a good percentage (25.5%) had tertiary education. Only few (6.3%) had no formal education.

More than half (60.2%) of the rural dwellers had a household size of 1-5 per household. This could be as a result of youths fleeing to the nearby cities in search for greener pastures as explain by one of the respondents.

Major occupation of the rural dwellers is Farming. Out of the 384 participants recruited for the study, 171(44.5%) were farmers while 116(30.2%) were Civil servants.

More than half (53.9%) of the participants had working experience between 15-19 years, 87(22.7%) had working experience of 10-14 years respectively. Overall average working experience was 17.2±3.4 years.

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More than half of the participants earn at least ₦30,000.00 monthly. However, 172 out of the 384 participants representing 44.8% earns below the current Nigerians minimum wage of ₦30,000.00. (Table 1)

Major sources of income of the rural dwellers included Crop production (29.2%), Arable farming (21.1%), Livestock production (16.1%), and Civil service (8.9%). Other sources of income included Artisan (6.5%), Fish farming (6.0%), Farm produce processing (6.0%), Trading (6.0%) and Gift/others (0.3%). (Fig.1).

Table 1: Demographic Characteristics of Participants (n=384)

Variables	f	%
SEX		
Male	226	58.9
Female	158	41.1
Age of participants in years		
18-25	98	25.5
26-35	164	42.7
36-45	55	14.3
>45	67	17.4
Marital status		
Single	67	17.4
Married	272	70.8
Divorced	6	1.6
Widowed	39	10.2
Religion		
Christianity	317	82.6
Islam	62	16.1
Traditional	5	1.3
Level of education		
No formal education	24	6.3
Primary	89	23.2
Secondary	173	45.1
Tertiary	98	25.5
Household size		
1-5	231	60.2
6-10	133	34.6
>10	20	5.2
Occupation		
Civil servant	116	30.2

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Farmer	171	44.5
Business	37	9.6
Student	60	15.6
Years of working experience		
0-4	27	7.0
5-9	50	13.0
10-14	87	22.7
15-19	207	53.9
20+	13	3.4
Monthly income (₦)		
< 30,000.00	172	44.8
≥30,000.00	212	55.1

Banking behaviors of rural dwellers

Distribution of participants by banking method of their choice revealed that most of the participants (37.5%) used conventional method of banking while 25.0% adopted banking with micro-finance banks. Other banking method of their choice included cooperative society and credit unions (16.1%), Rotational saving (adashe) (11.5%), Professional money lender (5.7%) and ROSCAS (4.2%). This implies that higher percentage of the participants have formal/conventional banking methods as their choice and therefore most preferable banking system among the rural dwellers.

Distribution of participants by banking experience revealed that 74.2% had banking experience of at least 5 years while 25.8% had less than 5 years banking experience.

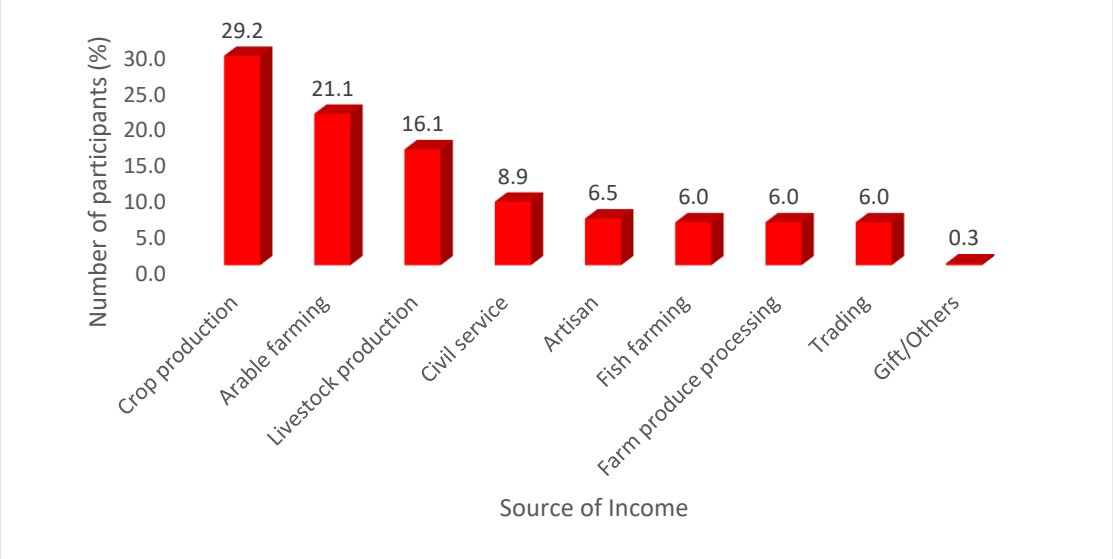

Figure 1: Distribution of participants by Income Generating Activities (n = 384)

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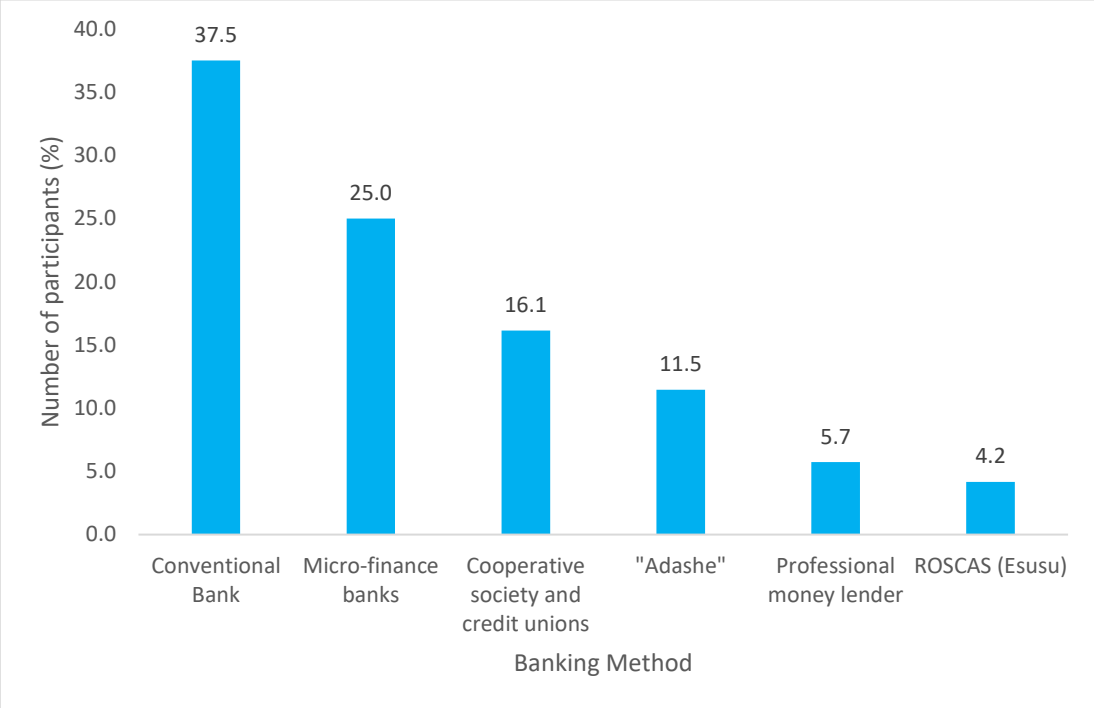

Figure 2: Distribution of participants by Choice of Banking Method (n = 384)

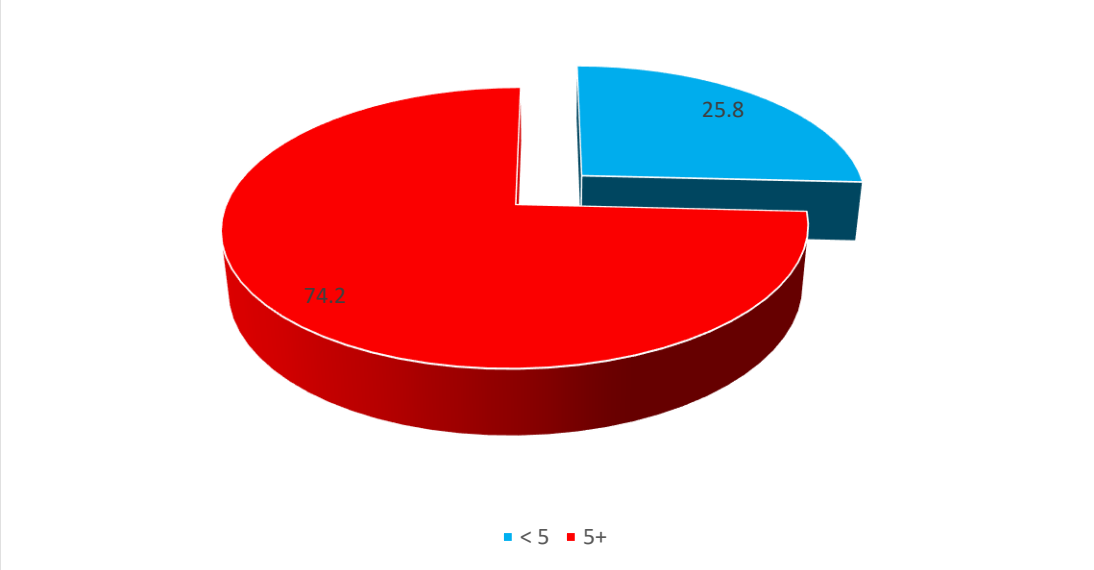

Figure 3: Distribution of participants by Banking Experience (years) (n = 384)

Participants' Perception toward Choice of Banking Methods

Finding on perception revealed that 37.2% strongly agreed and 45.6% agreed that Conventional banks release higher volume of loan at a time. This implies that rural dwellers believed that Conventional banks release higher volume of loan at a time

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Prof. R. Rena [South Africa]

compare to other methods of banking. The data further revealed that 69.8% agreed that saving in conventional banks are secure. On the other hand, the finding revealed that 58.1% disagree that Conventional bank staff are friendly. This implies that conventional banks staff are not friendly. The finding revealed that 58.1% of the respondents were of the perception that form filling in conventional banks is discouraging. This implies that rural dwellers don't like filling of forms and other processes as being operated in the conventional banks. This could be attributed to the low standard of education as seen above.

It was further discovered that 37.8% and 42.2% strongly agreed and agreed respectively that conventional banks are located far away from rural dwellers. This implies that distance impede patronizing conventional banks as most branches are located in the urban areas of the state.

On loan interest, the study revealed that 47.1% strongly agreed and 45.8% agreed respectively that conventional banks loans attract higher percentage of interest.

Also, 58.9% of the participants agreed that request for loans in the rural unorganized financial institution is easy. This concurred with their perception that filling of forms in conventional banks is discouraging. Similarly, 24.5% and 60.4% strongly agreed and agreed that unorganized financial institutions are near to rural household compared to conventional banks. Also, 56.0% of the participants believed that small amount of loans are available in unorganized financial institutions. This implies that the participants were of the perception that small amount of loans are available in unorganized financial institutions. Furthermore, 60.4% of the participants agreed that saving activities are easy in unorganized financial institutions.

Table 2: Participants' Perception toward Choice of Banking Methods (n = 384)

Perception/Attitude	SA	A	U	D	SD
Conventional banks release higher volume of loan at a time	143(37.2)	175(45.6)	19(4.9)	45(11.7)	2(0.5)
Saving in Conventional banks are secure	71(18.5)	268(69.8)	18(4.7)	21(5.5)	6(1.6)
Conventional banks staffs are friendly	20(5.2)	118(30.7)	17(4.4)	223(58.1)	6(1.6)
Form filling in Conventional banks is discouraging	94(24.5)	223(58.1)	17(4.4)	48(12.5)	2(0.0)
Conventional banks are far away from rural household	145(37.8)	162(42.2)	11(2.9)	40(10.4)	26(6.8)
Conventional banks loans attract higher percentage of interest	181(47.1)	176(45.8)	13(3.4)	8(2.1)	6(1.6)
Request for loans in rural unorganized financial institution is easy	52(13.5)	226(58.9)	12(3.1)	84(21.9)	10(2.6)
Unorganized financial institutions are trust worthy	103(26.8)	27(7.0)	193(50.3)	60(15.6)	1(0.3)

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Prof. R. Rena [South Africa]

Unorganized financial institutions are near to rural household	94(24.5)	232(60.4)	5(1.3)	51(13.3)	2(0.5)
Small amount of loans are available in unorganized financial institutions	94(24.5)	215(56.0)	17(4.4)	56(14.6)	2(0.5)
Saving activities are easy in unorganized financial institutions	94(24.5)	232(60.4)	13(3.4)	43(11.2)	2(0.5)

SA = Strongly Agree, A = Agree, U = Undecided, D = Disagree, SD = Strongly Disagree

Relationship between Socio-demographic characteristics and choice of banking method
Result of logistics regression of Socio-demographic and choice of banking method is shown in table 3 below. The significant variables includes Age, Education, Occupation, Average monthly income, Working experience and Banking experience respectively.
Age: There was a significant relationship between age and choice of banking method (OR = 1.267, CI = 0.996-1.611, p=0.035). This implies that age is one of the demographic characteristics that affect choice of banking method. Also, it opined that for every 1.3 unit change in age, there is a likelihood change in the choice of conventional banking methods.
Education: This is also significant with choice of conventional banking method. This implies that as level of education increases, participants tends to patronize conventional banking method more.
Occupation: This was also significant with choice of conventional banking method (OR=0.847, CI=0.687-1.045, p=0.044). This suggests that choice of conventional banking methods depends on types of occupation.
Ave. monthly income: The study revealed that monthly income was significant with choice of conventional banking method (OR=0.451, CI=0.365-0.998, p=0.016). This suggest that as monthly income increases, participants stands more chance of patronizing conventional banking methods.
Working experience: The study revealed that working experience was significant with the choice of conventional banking methods (OR=0.980, CI=0.810-1.187, p=0.033). This suggest that higher the working experience, the higher the choice of conventional banking methods.
Banking experience: Banking experience was also significant with choice of conventional banking (OR=1.219, CI=0.0.761-1.952, p=0.041). This implies that as banking experience increases, more participants tends to choose conventional banking methods.

Table 3: Logistics Regression showing Relationship between Socio-demographic characteristics and choice of conventional banking method

Variables	Outcome	
	Odd ratio (95% CI)	P Value
Sex	0.988(0.624-1.565)	0.959
Age	1.267(0.996-1.611)	0.035
Marital status	1.532(0.778-2.980)	0.220
Religion	0.956(0.414-2.209)	0.617

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Prof. R. Rena [South Africa]

Education	0.944(0.644-1.295)	0.012
Household size	0.913(0.644-1.295)	0.056
Occupation	0.847(0.687-1.045)	0.044
Ave. monthly income (₦)	0.451(0.365-0.998)	0.016
Working experience	0.980(0.810-1.187)	0.033
Banking experience (yrs.)	1.219(0.761-1.952)	0.041

DISCUSSION OF FINDING

The research focused on the Assessment of Banking Behaviour of Rural Dwellers in Nigeria; case study of plateau state. It tried to determine the factors that influenced the choice of banking methods among rural dwellers. A total of 384 participants were randomly recruited for the study in 3 local governments (Riyom, Kanke and Qua'anpan LGA) of Plateau state.

The socio-demographic characteristics of the participants that were studied include age, sex, marital status, religion, education, household, occupation, ave. monthly income, working experience and banking experience respectively.

The study opined that there were more male participants than the female counterpart in the study area. It was further discovered that most of the participants were between 26-35 years of age. Overall mean age was 33.5±6.7 years. It was further discovered that majority of the participants were married. Finding on education revealed that most of the participants had only secondary education. More than half of the participants had a household size of 1-5 persons. This implies that the household size were not really large. The major occupation of the rural dwellers was farming. It also revealed that 44.8% of the participants earned below the Nigerian new minimum wage of thirty thousand naira only. Major sources of income of the rural dwellers include crop production, farming, livestock production and civil service. Other sources of income of the rural dwellers include Artisan, Fish farming, Farm produce processing, Trading and Gift/other.

The finding further revealed that used conventional method of banking. However, a significant number of the participants adopted microfinance banks.

It was also discovered that rural dwellers had negative perception on the form filling and other processes involves in the conventional banking system. It was also discovered that distance is a major factor responsible for choice of unorganized banking system in the rural areas. This concurred with a study done by Shitu Adenipekun in 2021. In his finding on the assessment of factors associated with choice of banking system in Nigeria. In his study, it was revealed that a larger percentage of the respondents feel that conventional banks are far away from rural households and interest rate on loans in conventional banks is high. However most of them adopted the conventional banking methods despite all odds, this could be as a result of the fact that respondents believed that conventional banking method is secure compare to unconventional banking systems. The choice of banking method was also significant with Age, Education, Occupation, Average monthly income, Working and Banking experience.

CONCLUSION

Based on the findings, it was discovered that most rural dwellers adopted conventional method of banking than the non-conventional banking method. It was also discovered

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that conventional banks are more secure than the unconventional/informal banking methods. However, the rural dwellers were of the perception that conventional banks are cited far away from the rural areas and also, there are bureaucratic processes and high interest rate in conventional banking which are major factors among others that associated with conventional banking methods.

Recommendations

Based on the findings, the following recommendation is made to address the problem of rural finance in the rural dwellers:

1. Conventional banks should extend their services to the rural areas by citing branches to meet up the needs of the rural dwellers
2. Adequate rural infrastructure should be put in place in rural areas so as to encourage the operation of conventional banks
3. Staff of conventional banks should be friendly to their customers
4. Security measures should be intensified to curb fraught and increase reliability and trustworthiness.

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