



## ASSESSMENT OF FACTORS INFLUENCING THE SAVING CULTURE AMONG RURAL HOUSEHOLDS IN IBARAPA EAST LOCAL GOVERNMENT OF OYO STATE, NIGERIA

\* Yusuf, <sup>1</sup>W.A. Yusuf<sup>2</sup>, S. A., Adesope<sup>3</sup> A. A. A. and Adebayo, A. A. <sup>2</sup>

<sup>1</sup>Department of Economics, Nile University of Nigeria, FCT Abuja, Nigeria

<sup>2</sup>Department of Agricultural Economics, University of Ibadan, Ibadan Nigeria

<sup>3</sup>Forestry Research Institute of Nigeria, Jericho Ibadan, Oyo State, Nigeria

\*Corresponding Author Email: [ywasiu40@gmail.com](mailto:ywasiu40@gmail.com)

### ABSTRACT

*The study determined the saving culture of rural households in Ibarapa East Local Government of Oyo State. A multi-stage sampling technique was used to select 200 respondents for the study and questionnaire was used to elicit information from the respondents. Descriptive statistics and Probit regression were used to analyse the data. The result shows that the mean household size was 7, an indication of a relatively large average household size. The result of Probit regression shows a positive relationship between the income of respondents and their participation in commercial banks. However, participation of the respondents in Bank of Agriculture (BOA) is very low due to their poor awareness of the program. The result also reveals that distant to commercial banks, collateral and high interest rate hampered the respondents' access to loan. The study recommends that activities of unorganized rural bank should be strengthened by the Government. Microfinance banks should also extend their operational unit to rural areas to bridge the gap between the formal and informal rural financial institutions. The conventional/commercial banks as well, should extend their operation unit to rural communities.*

**Keywords:** Saving Culture, Conventional banks, Keynesian's hypothesis, Probit regression, Rural banking policy

### INTRODUCTION

Poverty is generally seen from the angles of low or no income, poor infrastructure, poor industrial activities, poor agricultural output, increase in crime and rural-urban migration. All these are referred to as aspects of under- development. To develop, therefore, would mean improvements in them (Anyanwu *et al*, 2012). Therefore, increase in income from economic activities supported by loans and advances or credit from the banking industry, especially the rural banks could solve a significant part of the causes of poverty (Olashore, 2010). The regulation of the Central Bank of Nigeria (CBN) on ensuring the success of its rural banking policy specifies that commercial banks should open branches in the rural areas.

The whole idea of rural banking stems from a realization of the abundant untapped resources available in the rural areas. The creation of an institution (in this case, banking) that can provide

the rural dwellers access to financial resources is seen as a strong motivating factor for the creation of job opportunities. An increase in investment as a result of the provision of loans and advances will gear up output levels, which will in turn raise consumption levels as many goods can be purchased at lower prices (Oyedele, 2010). This is because the financial system enhances the economic activities individuals and groups, which in turn promotes overall economic activities. Rural banking is seen as an engine of growth for the rural economy. Awosika (2009) sees rural banking as an arrangement for the mobilization of finance for investment in rural area.

One of the major constraints to rural development is the problem of inadequate financial capital which has a great influence on the level of productivity and the general well-being of rural households. Adebayo and Adeola, (2007) reported that the relevance of the financial

institutions (banks) in rural areas is to enhance productivity and promotes a good standard of living by breaking the vicious cycle of poverty in the rural areas. Over the years, government had made frantic efforts to address the issue of agricultural financing and improve rural households' standard of living with a view to increase agricultural productivity. These attempts gave birth to so many agricultural policies, one of which was the Central Bank of Nigeria's Rural Banking Policy which was meant to bring banking services to rural households whose main economic activities are agriculture based. All banks are concerned mainly with paying and receiving payments on behalf of their customers, accepting deposits and giving loans to individuals, companies, public organizations and governments. Banks also provide money transmission and other monetary intermediation services to their customers (Okoye and Okpata, 2008). The roles of banks, either formally or informally cannot be over-emphasized in that they perform intermediate functions between savers and those in need of credits (Smiths, 2002). Rural households are characterised by various methods of banking. This involves the process of saving their money and lending for improvement in their standard of living and general well-being.

Despite the widespread popularity of traditional financial institutions in the rural sectors of Nigeria and other developing countries, it is generally accepted that formal financial institutions are critical in the development of rural areas. Formal financial institutions monetize transactions and facilitate socio-cultural, political and technological developments. Unfortunately, they do not co felt the need to increase banking facilities in rural areas through special programmes. These include creating quasi-cooperative banks, independent rural banks and quasi-commercial banks in the rural areas (Okorie, 2008).

Quasi-cooperatives are based on regional cooperatives. Examples of these are found in China, Kenya, India, and Pakistan. In Tanzania and Zambia, state-run development banks made deliberate efforts to extend their branches to rural areas. The independent rural model is exemplified by rural banks in Ghana, in which each rural bank unit is autonomous. In the quasi-commercial model, the government compels commercial banks to extend their branches to rural communities, as a deliberate policy of promoting

banking activities in rural areas, the approach being used in Nigeria. Rural banking is supposed to mobilise and supply finance for investment in rural areas. It helps to fill the gap in savings and investments from changes in interest rates and in the propensity to save and invest (Abe, 2004). It is noteworthy that it is the lack of savings and the unwillingness to invest that impede investment. Where the gap exists, it is the challenge of the economic system to induce the banking system to create credit to fill it (Amadasu and Iyoha, 2007). The corollary to this is the fact that the volume of savings is a function of how widespread savings institutions are and the tendency to save more as they are closer to the doorsteps of individuals. Owing to the fact that rural branches of banks are difficult to come by, governments in the early days of development mobilised and channeled investible funds to the rural areas, making up for the low rural household savings and productivity (Awosika and Nwoko, 2003).

It is, however, unfortunate that, in spite of the enormous contributions of rural areas to the national economy, empirical data are lacking on their banking culture, and the type and scope of their involvement in banking activities have not been ascertained. Moreover, studies on the banking culture of rural people were based on secondary data, which do not adequately capture the behaviour of the respondents. This study therefore, used primary data to obtain direct information from the households. Moreover, the indigenous banking system needs to be identified and the rate at which rural households still make use of them needs to be determined. Also their patronage in commercial/conventional banks needs to be studied. Moreover, the factors that influence the type of banking system adopted by rural households is also important, hence the need for this study.

### **Theoretical Framework**

To understand banking culture among rural households, it is worthwhile to consider some macroeconomic theories. In this respect, the study basically hinged on Keynesian's Absolute Income Hypothesis, also referred to as the Keynesian Consumption Function. In defining this concept, he said, individuals save out of their current income to smooth the expected consumption over time. The impact of the precautionary savings is realised through its impact on current consumption, as individuals defer their current

consumption to be able to maintain the utility level of consumption in the future if income drops. The model, therefore, only bases consumption on current income and ignores potential future income. Higher precautionary savings level would reflect on higher wealth of an individual or a growth in net worth. Keynes's basic model of consumption was that current consumption expenditure is determined mainly by current disposable income. Thus, he links consumption (C) to income (Y) levels. Thus according to Keynes, the Keynesian consumption function is written in linear form as

$$C_t = a + bY_t \quad \dots (1)$$

The coefficient  $b$ , which Keynes called the marginal propensity to consume (MPC) is defined as  $\frac{\partial C}{\partial Y}$ , where,  $\partial C$  = Change in consumption and  $\partial Y$  = Change in income.

The saving function can be represented in a general form as:

$$S = f(Y) \quad C_t = a + bY_t \quad \dots (2)$$

Where  $S$  is saving,  $Y$  is income (national or disposable), and  $f$  is the notation for a generic, unspecified functional form. The actual functional form of the equation can be linear, with a constant slope, or curvilinear, with a changing slope. The most common form is linear, such as

$$S = c + dY \quad C_t = a + bY_t \quad \dots (3)$$

where:  $S$  is saving,  $Y$  is income,  $c$  is the intercept, and  $d$  is the slope.

It is often useful to state the savings function using parameters for the consumption function.

$$C = a + bY \quad C_t = a + bY_t \quad \dots (4)$$

where  $C$  is consumption expenditures,  $Y$  again is income,  $a$  is the intercept, and  $b$  is the slope.

In this case, the saving function can be specified as:

$$S = -a + (1-b)Y \quad C_t = a + bY_t \quad \dots (5)$$

Where:

$S$  is savings and  $Y$  is income. However, now the intercept is  $-a$  rather than  $c$  and the slope is  $(1-b)$  rather than  $d$ .

This alternative specification shows the connection between the saving function and the consumption function. The intercept of the savings function ( $-a$ ) is the negative of the intercept of the consumption function ( $a$ ). The slope of the savings function  $(1-b)$  is one minus the slope of the consumption function ( $b$ ),

meaning that the sum of the marginal propensity to consume ( $b$ ) and the marginal propensity to save  $(1-b)$  is equal to 1, which means that a portion of the additional income is consumed and the rest is saved. In a closed economy, according to Keynes,  $MPS + MPC = 1$  since an increase in one unit of income would either be consumed or saved. Both the average and marginal propensities are generally believed to be between zero and one.

### Empirical Review

This section reviews the findings of previous studies on banking behaviour among rural households. Gedela (2012) examined the determinants of the savings behaviour of the rural households in the district of Visakhapatnam (India state). Data on 120 sampled households were collected from both tribal and rural households through interview schedule. The study used the Multiple Regression Model and Logistic Regression Model for finding out the determinants of the savings behaviour of households situated in tribal and rural areas. Result also showed that the age of the head of the household, gender, dependency ratio, income and medical expenditure are significantly influenced the savings behaviour in the study area. In the tribal area, dependency ratio and medical expenditure has severely affected of household savings. Income is the most crucial factor of the saving behavior in the entire study. Results also showed that male-headed households saved more than female-headed households.

Akpan *et al.* (2011) determined factors that affect household savings of rural agro-based firm workers in the south-south region of Nigeria. The two-stage least squares method of the simultaneous equation model was used in the analysis. Cross-sectional data were collected from 250 randomly selected workers of five agro-based firms in the study area. The results of the analysis revealed that income, tax, job experience, education, family size and membership of a social group influenced the savings attitude of workers. To promote household savings among agro-based workers in Nigeria, policies aimed at producing periodic increase in worker's salary and reducing tax rates in line with the changing patterns of macro-economic variables in the country were advocated.

The effectiveness of the informal financial sector in attracting rural finance for rapid rural

development was the focus of a study by Newman *et al.* (2008). They investigated the determinants of household savings in rural Vietnam. Cross sectional data on 2324 households from 12 provinces in Vietnam were taken by Vietnam Access to Resources Household Survey (VARHS) in 2006. They did percentage analysis on collected data and concluded that wealthier households were more likely to save. The negative effects of age of household head were found; no education effects were found; financial savings were low and share of formal savings were relatively small in rural Vietnam. It was suggested that government should improve its savings institutional framework.

Komicha (2007) explained the farming households' banking behaviour with reference to savings, credit and production efficiency, based on data obtained from a farming household survey conducted in two districts of South-Eastern Ethiopia from September, 2004 to January, 2005. The farm households were randomly selected from six farmers associations (FAs), based on the agro-ecological zones of the two districts – four from Merti and two from Adamitullu-Jido Kombolcha. Data were analyzed using stochastic frontier analysis and limited dependent variable econometric tools. Factors like the interest rate, loan processing time, type of loan, credit information and loan size significantly affected the borrowing behaviour of the farm household while 62% of the farm households had savings in financial and physical assets almost all farm households (about 90%) had savings held informally. This was explained more by problems of incentives and opportunities to save than by their ability to save. It suggested that financial institutions with easy access, low transaction costs, higher real returns on savings and convenient withdrawal of savings may provide these incentives to encourage those who hold informal financial savings to channel their savings into formal institutions.

Kraay (2007) analyzed a variety of statistical issues that cloud the measurement of aggregate and household savings in China and provided new empirical evidence on the importance of inter-temporal considerations in explaining inter-provincial variations in household savings. The study provided a description of trends in aggregate and household saving in China. It presented new evidence on determinants of household savings in

China using a panel of province-level data from China's household survey. It concluded with a discussion of the policy implications and directions for further research. The empirical evidence on the determinants of household savings presented here reflected favourably on two complementary explanations (expectations of future income growth and the role of subsistence consumption). These factors captured only a small fraction of the cross-provincial variation in household saving rates.

Also, a longitudinal study in Kenya, Malawi and Ghana by Buckley (2007) examined the role of informal finance providers in meeting the credit needs of microenterprises. Its results indicated that 3%, 9% and 10% out of 140, 160 and 150 respondents in Kenya, Malawi and Ghana respectively used money lenders to source for credit. The use of money lenders by micro entrepreneurs is real but very small. Those who had patronised the money lenders in Malawi did so for consumption and distress purposes such as funerals, medical expenses and payment of school fees. The amounts involved was relatively small with short term maturities, since they regarded the money lenders as being exploitative and those who should be avoided, if possible. The results from Malawi revealed that none of the respondents had obtained commercial bank loans, but the few who received formalised loans did so from an NGO program. The findings shows that 13%, 20% and 50% for Kenya, Malawi and Ghana respectively have obtained formalised credits. It implies that 87%, 80% and 50% of the respondents in Kenya, Malawi and Ghana respectively never received loans from formal financial institutions. This is an indication that Africa and other developing nations may not be able to do without the services of the informal finance providers it also reveals how important the informal finance providers are to the economic well-being of the rural people.

Nga (2007) examined the general idea of rural household banking in South Africa from 1988 to 2008. She identified the main factors responsible for the lack of a commitment to savings especially in poor households. The major factors were lack of income (due to unemployment), inadequate income, over-consumption (due to obvious consumption, procedural rationality and the bandwagon effect) and market failures, such as unfinished or even no information, lack of

financial literacy, cultural and political factors. The study incorporated an overview of the existing literature and is both quantitative and qualitative. A qualitative analysis is used to infer secondary data and a typology case study was presented. The major findings of all these theories are that savings is that part of income that is not spent nor consumed. Income was found to be the main determinant of savings for a multiplicity of purposes such as precautionary and bequest motives. The fundamental reasons or importance and role of households to save were highlighted. Experiential investigations carried out to date also appear to support these broad propositions acknowledged for developing economies. Fazoranti (2007) evaluated the influence of rural savings mobilisation on economic the development of rural dwellers. Primary data through questionnaire were collected of 100 respondents from 5 Nigerian villages. The Ordinary Least Square Method was used for estimation. Results showed that income, human capital, investment and assets were positively contributed to total savings. It was also concluded that the 98 % variation in total savings was explained by income, human capital, investment and assets. It was also suggested that rural dwellers should be properly mobilised to join co-operative societies.

**MATERIALS AND METHOD**

**Study Area**

The study was carried out in Ibarapa East Local Government of Oyo State with headquarters in Eruwa. It has a population of 102,979 going by the 2006 census. The region is culturally homogeneous since it is populated by the Yoruba ethnic group. Ibarapa East is characterized by the low -land tropical forest type, with distinct wet and dry seasons which favour the growth of varieties of food and cash crops. The major occupation of the people is farming as well as trading and craft specialization. Ibarapa people also engage in traditional arts and crafts such as pottery, calabash carving, hair platting and basket weaving.

**Method of Data Collection**

A multi-stage random sampling procedure was used to select the respondents. The LGA has ten wards and each ward has ten districts. Two districts (units) were randomly selected from each ward and 10 household heads from each district (unit) were randomly selected and interviewed

using a questionnaire, thus making a total of 200 respondents. The data collection involved socio-economic characteristics of the respondents, choice of banking methods and attitude of respondents towards their banking and savings in various financial institutions.

**Analytical Technique**

The data obtained from the respondents were subjected to descriptive statistics such as mean, median, mode, and percentage. The Probit model was also employed to analyse the relationship between the social economic characteristics and choice of banking method. Probit was applied since the dependent variable is a binary outcome i.e. (participation=1, non-participation=0). The general probit model is stated below

$$Pr_{(y=1)} = f(\beta_0 + X_1\beta_1) \dots (6)$$

Pr = Probability function.  
 n by k matrix of explanatory variable  
 $\beta_i$  = k by 1 vector of parameter to be estimated  
 f = Cumulative probability distribution  
 Therefore, the probability of choice of banking is a function of the vector of unknown parameters. The specified choice of the mobile bankers’ model for the study is therefore given as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \beta_7 X_7 + \beta_8 X_8 + \beta_9 X_9 + \beta_{10} X_{10} + \beta_{11} X_{11} + \epsilon_1$$

- Where:  
 Y is participation in choice of banking (participation=1, non-participation=0).  
 $X_1, \dots, X_n$  Are independent variables (socio-economic characteristics).  
 $X_1$  = Gender of respondent (male =1, female = 2)  
 $X_2$  = Age (years)  
 $X_3$  = Households size  
 $X_4$  = Marital status  
 $X_5$  = Years of formal education (in years)  
 $X_6$  = Number of Spouse (included to indicate the possible effect of multiple spouse on banking behavior of married male respondents)  
 $X_7$  = Annual income (net income from each farming/non-farming enterprise)  
 $X_8$  = Years of working experiences  
 $X_9$  = Membership of social organization  
 $X_{10}$  = Leadership position held (none = 0, religious = 1, political =2, traditional =3)  
 $X_{11}$  = Number of dependants  
 $\beta$  = Coefficient  
 $\epsilon_1$  = error term.

## RESULTS

### Socioeconomic status of the respondents

Male-headed households were 61.5% while 38.5% households were headed by females (Table 1). Those between 21 and 60 constituted 86.0% of the respondents. About 75.5% of the respondents were married while the average family size was 6.68. This large family size may be the reason for the low savings, because a large share of the income would be spent on the feeding. About 61% of the respondents belonged

to at least, one social organization while 37.5% did not belong to any social organization. The membership of respondents in any social organization also influenced households banking habits. About 98% of the respondents had dependants that range between 0-5. The leadership status of the respondents also influenced on their savings habits especially through cooperative societies. Religious leaders had 32% of the respondents, 23% are political leaders, while about 15% are traditional leaders.

**Table 1: Socioeconomic Characteristics of Respondents**

Variable	Frequency	Percentage (%)
<b>Gender</b>		
Female	77	38.5
Male	123	61.5
Total	200	100.0
<b>Age</b>		
0-20	3	1.5
21-40	92	46.0
41-60	80	40.0
61 above	25	12.5
Total	200	100
<b>Marital Status</b>		
Single	34	17.0
Married	150	75.0
Divorced	6	3.0
Widowed	10	5.0
Total	200	100
<b>Household Size</b>		
1-5	80	40.0
6-9	92	46.0
10-14	19	9.50
15 above	9	4.50
Total	200	100
Mean		6.68
<b>Membership of Social Organization</b>		
Undecided	3	1.50
Yes	122	61.0
No	75	37.5
Total	200	100
<b>Number of Dependants</b>		
0-2	132	66.0
3-5	63	31.5
6-8	5	2.5
Total	200	100
<b>Leadership Status</b>		
None	130	65
Religious	32	16
Political	23	11.5
Traditional	15	7.5
Total	200	100

### Households' Patronage in different Banks, and Savings Experience

Table 2 shows the frequency distribution of the respondents' patronage in the different bank of the area. About 41% of the respondents patronized

commercial banks, while 22 % of the respondents choose mobile banking (Ajo ojoojumo) while, 4.5 % choose ROSCAS (Rotating Savings and Credit Association otherwise known as esusu), 2.5 % choose Bank of Agriculture (BOA), 38% of

respondents patronized Cooperative banks. The table also shows that 33.0% of the respondents had a banking experience ranging between 0 and 14 years,

24.5 % has experience ranging between 15 and 19 years while 6.0 % had experience ranging between 20 and 24 years.

**Table 2: Households' Banking Patronage and Banking Experience**

Banking Patronage			Banking Experience		
Banking Methods	Frequency	Percentage (%)	Banking Experience (yr)	Frequency	Percentage (%)
Conventional	81	40.5	0-4	66	33.0
Microfinance	23	11.5	5-9	49	24.5
Bank of Agriculture (B.O.A.)	5	2.5	10-14	35	17.5
ROCSAS (Esusu)	9	4.5	15-19	14	7.0
MOBILE (Ajo Ojojumo)	44	22	20-24	12	6.0
Cooperative bank	38	19	25-29	15	7.5
			30 above	9	4.5
<b>Total</b>	<b>200</b>	<b>100</b>	<b>Total</b>	<b>200</b>	<b>100</b>

### Distribution of Households' Savings and Income

The total maximum annual income earned by the households was ₦850,000, while the maximum amount saved was ₦480,000 (Table 3). Findings also show that the maximum amount saved in conventional/commercial banks was ₦480,000.

The total amount saved in Bank of Agriculture (BOA) was ₦120,000 which implies that few respondents patronized the BOA. The low volume of savings in the BOA may be the consequence of information asymmetry about the activities of the bank.

**Table 3: Distribution of Households saving and Income by respondents**

Variables	Minimum (₦)	Maximum (₦)	Mean (₦)	Standard deviation
Incomes	0	850000	361995	20373.31
Savings	0	480000	94479	84483.83
Conventional Annual saving	0	480000	57233	96061.85
BOA annual savings	0	120000	1760	12344.40
ROSCAS annual savings	0	120000	1896	12454.71
Microfinance annual savings	0	208000	9400	96061.85
Cooperative Bank	0	144000	11220	26213.43

### Households' Choice of banking and Constraints involved

Table 4 shows that 40.5% of the respondents made their choice based on the security of their savings; 38.5% chose their banks because of ease of obtaining loan; while 6% preferred their banks because of the availability of internet banking. However, only 10 % of the respondents chose their banks because of low interest rate. The table

also shows that 48.5% of the respondents have the problem of collateral security; 17.5% were constrained due to high interest rate on loans while 20.5% were constrained due to insufficient cash flow to support their loan refund without defaulting. This shows that the majority of the respondents did not have collateral security to obtain loan from banks.

**Table 4: Distribution of Households' Choice of Banking method and the Constraints Involved**

Reason for choice of banking method			Constraints faced in the choice of banking		
Reason	Frequency	Percentage	Constraint	Frequency	Percentage
Secured saving	81	40.5	None	27	13.5
Ease of obtaining Loan	77	38.5	Insufficient Funds	41	20.5
Internet banking	12	6.0	Collateral security	97	48.5
Low interest rate	20	10.0	High Interest rate on loan	35	17.5
Rural/ Agriculture Finance	10	5.0			
<b>Total</b>	<b>200</b>	<b>100.0</b>	<b>Total</b>	<b>200</b>	<b>100.0</b>

### **Socio-economic Factors Affecting Respondents' Patronage in Banks**

The socioeconomic factors that are likely to affect rural households' patronage of banks in various banking were examined using the Probit regression. The result shows that income contributed positively to participation in commercial banks; this was significant at 5%, which implies that as the income of the respondents' increases, they are likely to save more in conventional banks. Years of education was significant at 10% and had a positive relationship with their participation in conventional banks which shows that most elite of the in the region were likely to patronize conventional banks more (Table5).

Respondents' age and participation in microfinance bank were positive and significant at 10% which implies that old people are likely to participate more in microfinance banks. Household size was negative and significant at 5%, this implies that people with higher household size were less likely to patronize in microfinance banks. Furthermore, the marital status of respondents contributed positively to their participation in Bank of Agriculture at 10% level of significance while age, number of spouse, and membership of a social organization were negative contributors significant at 10%. In cooperative banking, number of spouse and leadership status of respondents contribute positively at 5% and 1% respectively while years of education was found to be negative at the 5% level. This implies that the more the number of years spent on education, the less they are likely to participate in Cooperative banks. However, income was negative and significant at 10%, which implies that as the income of the respondents increased, they were less likely to save in cooperative banks. On mobile banking, the result shows that the annual income and the number of years of education of the respondents were negative and significant at 5% and 10% respectively.

This implies that as their annual income increased, they were less likely to participate in mobile savings or perhaps switch to other forms of savings and that the more the number of years spent on education, the less likely were they to participate in mobile banks. However, years of working experience of respondents was found to be positive and significant at 5% (Table 5).

Lastly, Table 6 shows the perception of respondents about the various banks as it determines their saving behaviours. Table 6 shows the perception of respondents on how the various banks influenced their attitude to savings. This implies that they do not know much about proportion of loan released as a result of low level of patronage. Also 70.5% of the respondents agree that savings in commercial banks are secured. Furthermore, 50.5% disagreed about loan accessibility without stress in convectional banks. Also 15% were undecided about the attitude of commercial banks staffs to customers. Likewise, 79.0% of the respondents strongly agreed that the conventional banks are far away from rural households. In addition, 81.0% of the respondents strongly agreed that the interest rate on loan in commercial bank was high. This was one of the major constraints affecting their participation in commercial bank. Furthermore, 71.5% of the respondents agree that unorganized financial institutions are trust worthy while 84.5% strongly agree that unorganized financial institutions are near to them, this shows the reason for their participation in unorganized financial institution. It is therefore obvious from the table that "conventional/commercial banks attracts higher percentage of interest" but "Savings in commercial banks are secured" and it was ranked first followed by "Savings are easy in unorganized financial institutions", then "Unorganized financial institution are near to households", while "Loan in commercial banks is accessible without stress was ranked eleventh in their order of perception. .

**Table 5: Socioeconomic Factors Affecting Patronage of Banks**

Variable	Conventional		Microfinance		Bank of Agric		Coop. Bank		Mobile	
	Coefficient	$\partial y/\partial x$	Coef.	$\partial y/\partial x$	Coefficient	$\partial y/\partial x$	Coefficient	$\partial y/\partial x$	Coefficient	$\partial y/\partial x$
Gender	-0.012	-0.005	0.340	0.054	-0.178	-1.2e-13	-0.648**	-1.320	0.215	0.0438
Age	0.016	0.006	0.062	0.008*	-6.731*	-4.7e-12	0.0230	0.004	-0.871*	-0.176
Marital Status	-0.137	-0.052	-0.025	-0.323	6.650*	4.6e-12	0.230	0.006	0.546**	0.109
Spouse	0.038	0.014	-0.040	-0.005	-5.53*	-3.85e-12	0.653**	0.133	-0.242	-0.049
Religion	-0.256	-0.096	-0.002	0.115**	-0.115	-8.03e-12	-0.838	-0.174	0.505***	0.103
Education (yr)	0.125*	0.047	-0.002	-0.0002	-0.276	-1.92e-13	-0.086**	-0.018	-0.096*	-0.196
Household size	-0.038	-0.014	-0.167	-0.022**	0.7697	5.36e-13	0.003	0.0007	0.796	0.016
Dependants	0.027	0.0102	0.155	0.203	0.405	2.82e-13	0.086	0.015	-0.016	-0.037
Income (ann.)	1.4e-06**	5.1e-07	9.8e-08	1.4e-08	2.740	1.91e-18	-1.2e-06***	-2.4e-07	-0.2e-06**	-3.9e-07
Work experience	-0.022	-0.008	-0.014	-0.002	0.139	9.66e-14	-0.056**	-0.111	0.065**	0.013
Membership (soc/org)	0.344	0.129	0.115	0.002	-7.823*	-5.4e-21	-0.255	-0.053	0.267	0.054
Leadership status	-0.086	-0.030	0.0547	0.016	0.129	8.9e-14	0.398*	0.087	-0.208	-0.054
Constant	-1.805		-0.563		27.86		1.9773		0.4486	

Note: Significant at \*\*\* (0<0.01) \*\* (p<0.05) \* (p<0.10)

**Table 6: Attitudinal Statements on constraints facing households in choice of banking method**

Statement	SA	A	U	D	SD	Mean	Rank(s)
	Freq./(%)	Freq./(%)	Freq./(%)	Freq./(%)	Freq./(%)	Scores	
Conventional banks release higher volume of loan at a time	16(8)	86 (43)	15 (7.5)	56 (28)	27(13.5)	3.04	9 <sup>th</sup>
Saving in conventional banks is secured	47(23.5)	141(70.5)	1(0.5)	9(4.5)	2(1)	4.14	1 <sup>st</sup>
Loan in conventional bank is accessible without stress	5(2.5)	29(14.5)	26(13)	101(50.5)	39(19.5)	2.26	11 <sup>th</sup>
Conventional bank staffs are friendly	4(2.0)	125(62.5)	30(15)	39(19.5)	2(1)	3.47	8 <sup>th</sup>
Form filling in conventional banks is discouraging	5(2.5)	85(42.5)	16(8.0)	86(43.0)	8(4)	2.99	10 <sup>th</sup>
Conventional banks are far away from rural household	18(9.0)	158(79)	8(4.0)	14(7.0)	1(1.0)	3.87	5 <sup>th</sup>
Conventional loan attracts higher percentage of interest	34(17.0)	162(81.0)	2(1)	2(1)	0(0)	4.14	1 <sup>st</sup>
Request for loans in rural unorganised financial institutions is easy	14(7.0)	150(75.0)	15(7.5)	20(10.0)	1(0.5)	3.79	6 <sup>th</sup>
Unorganised financial institution are trustworthy	18(9.0)	143(71.5)	21(10.5)	15(7.5)	3(1.5)	3.77	7 <sup>th</sup>
Unorganised financial institutions are near to households	16(8)	169(84.5)	3(1.5)	12(6.0)	0(0)	3.93	4 <sup>th</sup>
Savings are easy in unorganised financial institution	26(13.0)	167(83.5)	7(3.5)	0(0)	0(0)	4.09	3 <sup>rd</sup>

SA- Strongly Agree, A-Agree, U-Undecided, SD-Strongly Disagree, D-Disagree.

## DISCUSSION

The gender of the head of the household emphasizes the impact of saving as it is shown that male populations are more; males are believed to be the head of the family, and expectedly they should be more involved in banking activities in order to sustain their family. This is similar to the findings of Gerald (2012) who found out that male household heads save more than female house heads. The age range of most of the respondents implies that most of the respondents were economically active and are likely to participate highly in banking activities. The marital status of the respondents also determines the banking behaviour of the rural households. The married population is mostly involved in different business activities which make them to participate more in banking activities. The size of the family is also an important determinant of the banking behaviour of the rural households. In the past, large family size is very prominent in the rural areas but the case is different presently due to their exposure to western education. Also, the number of dependants also plays a major role in determining the banking behaviour of the rural households. If the dependants population becomes more than that of the income group then the probability of saving becomes low. Income and saving summary of the respondents implies that high income earners preferred to save more in conventional banks even though, their participation in conventional bank is still below average. This is in line with the findings of Nga, (2007) who finds that information and financial literacy are part of the major factors in acquiring the savings culture.

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Similarly, there was a possibility of poor awareness about the Bank of Agriculture (BOA); and internet banking in the study area. However, a considerable percentage of the respondents have better experience of the banking methods of their choice.

## CONCLUSION

The contribution of rural banking systems to the growth of the Nigerian economy is quite significant. Based on the findings, most of the respondents had the problem of collateral security and high interest rate which hampered their access to loan. It was also discovered that organized/formal rural banking methods are far away from rural households. This forms the basis for the low level of patronage despite the fact that commercial banks are reliable and trustworthy.

## Policy Recommendations

Based on the findings the following are recommended:

- Rural banking methods should be strengthened through government intervention so as to guide their activities.
- Microfinance banks should extend their operations to rural areas so as to bridge the gap between the formal and informal financial institutions
- Commercial banks should extend their operations to rural areas by making use of the unorganized rural banking systems.
- The bank of Agriculture (BOA) should decentralize further to have at least a branch in each local government area.

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