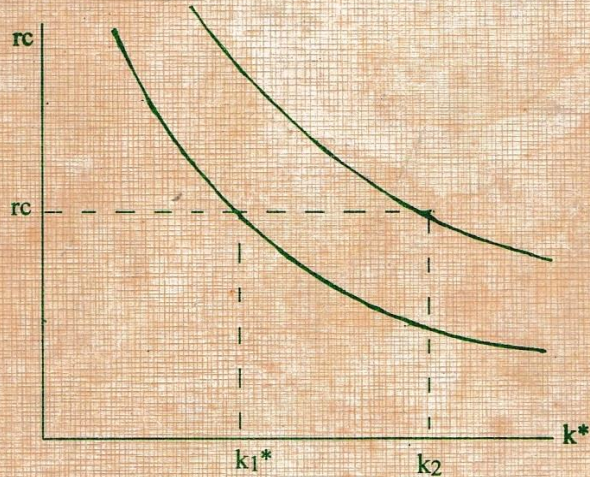


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REKINDLING INVESTMENT FOR ECONOMIC DEVELOPMENT IN NIGERIA



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Selected Papers for the
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RURAL FINANCIAL MARKETS, INVESTMENT AND SUSTAINABLE RURAL DEVELOPMENT IN NIGERIA

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ABSTRACT

This paper examines the relationship between rural financial markets, investment and rural development. Empirical results show high potentials of the Daily Savings Enterprises (DSEs) in financial intermediation. The DSEs are also preferred by most small-scale private entrepreneurs. Given the failure of most government rural financial intermediation programmes, the paper recommends the DSEs (Mobile banking) as a way of ensuring a viable rural financial market in Nigeria.

1. Introduction

ACCORDING to the World Bank (1996a), more than 1.3 billion people in the world live in poverty, and the vast majority of them live in rural areas. Almost everywhere, a firm foundation of rural development has become an essential precursor of industrial growth and urban employment. Thus, rural development has been the concern of most developing nations, international development agencies and most nongovernmental organizations in the past years.

African countries, including Nigeria, have made commitments to develop the rural areas. As far back as 1980, the Lagos Plan of Action for Economic Development of Africa, which was approved by the special session of the Assembly of Heads of States and Governments of the Organization of African Unity (OAU), affirmed the need "for an effective agricultural and indeed rural revolution in Africa". The Assembly insisted that policies had to emphasize consistently the need not only to improve the living conditions of farmers (farming is the predominant occupation of the rural population), but also to

increase real farm income as a means of making agriculture remunerative and the rural areas more attractive.

In 1986, at the meeting to discuss the African Priority Programme for Economic Recovery (APPER), the African Heads of States agreed that 25 per cent of national budgets be directed to the agricultural and rural sector. Similar commitments were made at the Popular Participation Declaration in Arusha in 1986, and at the African Heads of States Meeting in Addis Ababa in 1990. However, SPORE (1994) reports that "no African government, not even Nigeria with its oil wealth, has ever committed such a proportion of funds to rural development"!

Although Nigeria has not been able to commit as much as 25 per cent of its budget to rural development in any one year, it has made efforts at rural transformation. These came through various programmes and agencies, such as the Directorate for Food, Road and Rural Infrastructure (DFRRI), and Rural Settlement Schemes, among others. The provision of funds through budget allocation, as emphasized by the various declarations of African Heads of Government, underlines the importance of funds in rural development. In fact, availability of funds in an economy can be regarded as a *sine qua non* to development. Iniodu and Ukpak (1996), have indentified a poorly developed financial system as an obstacle to the development, wealth and enhancement of socio-economic welfare and promotion of human dignity. This is in view of the important link which exists between availability of funds, investment and development.

Considering that a viable rural financial market is a key to investment and rural development, there is need to ensure increased availability of funds in the rural areas. Therefore, the main objective of this paper is to examine the potentials of mobile banking or Daily Savings Enterprises (DSEs) as a rural financial market development strategy. In order to achieve this broad objective, the paper sets out to:

- i. examine the ownership structure of the DSEs and identify their important clients;
- ii. identify the respondents' preferences for financial institutions;
- iii. assess the DSEs financial mobilization potentials; and
- iv. offer recommendations that will enhance the performance of rural financial markets, investment and sustainable rural development in Nigeria.

The rest of the paper is divided as follows: section 2 presents public policies on the development of rural financial markets in Nigeria, section 3 contains the theoretical framework and literature review while section 4 contains the

methodology. The results and discussion of the paper are presented in section 5, and finally, section 6 contains the concluding remarks and suggestions for rural financial market development.

2. Public Policies on the Development of Rural Financial Markets in Nigeria

Nigeria's financial system is dualized. There is the rural sector and there is the urban sector. The rural people are known to keep their money at home inside or under pillows and tins. They depend on their personal savings and on friends and relatives for their investible funds. A variation from this is the use of traditional institutions which abound in the rural communities. These institutions go by such names as *Etibe* (Ibibio), *Esusu* (Yoruba), *Adashi* (Tiv), etc. all of which constitute the traditional rural financial markets. However, this system does not guarantee adequate supply of investible funds – it does not even meet the financial needs of the people (Ijere 1992).

The need to address this problem of acute capital shortage in the rural areas has made public policymakers focus attention on establishing new facilities that will enhance the access of rural dwellers to institutional credit. Prominent among these are the Agricultural Credit Guarantees Scheme (ACGS), established in 1997; the Post Office Savings Scheme; and the encouragement of the Nigerian Agricultural and Co-operative Bank (NACB) to open branches in all the states of the federation and extend credit to peasant farmers through state government's agricultural credit institutions. Other programmes include the Rural Banking Scheme (RBS) initiated in 1977. This came as a result of the overconcentration of banks in the urban areas to the neglect of the rural areas. Government saw this as unhealthy for the rural development efforts. Thus, banks were requested to open branches in the rural areas to help in:

- i. mobilizing rural savings for the insurance of credit to the rural operators, farmers and businessmen;
- ii. extending banking services and habits to rural areas;
- iii. encouraging increase in banking density of the country; and
- iv. enhancing development of rural areas and, hence, stem the tide of rural-urban migration.

The rural banking scheme had very little impact because, among other things, banks were reluctant to open rural branches for reasons, including the absence of basic infrastructure in the rural areas (Archibong 1997).

It was government's attempt to create the desired impact of rural banking in the rural communities that necessitated the establishment, in 1989, of the

Peoples Bank of Nigeria (PBN). Modelled after the Grameen Bank of Bangladesh, the Peoples Bank was rural-based and tailored to enhance access to credit for the rural dwellers. The search for healthy rural financial markets, also led to the establishment of Community Banks in 1990. The underlying idea for establishing the Community Banks was to reform and bring together both the community development associations and the mainstream of national financial and economic development (Mabogunje 1993). Unlike the Peoples' Bank, which depended solely on grants from the Federal Government, the Community Banks were owned and managed by communities for providing financial services to members on relatively easy terms, such as self recognition and creditworthiness. Initially, and as Ogwumike and Ekpenyong (1995) have observed, the two rural-based financial institutions were successful in their savings mobilization efforts, by granting loans and advances, and in stimulating employment in rural areas. Nevertheless, it did not take long before funding and management problems plagued the two schemes.

The data in Tables 1, 2 and 3 clearly depict the deteriorating performance of the Community Banks as well as the Peoples' Bank. Although the number of bank branches would seem to suggest an increase, the data in Tables 2 and 3, however, tells the true situation. For instance, the percentage change in deposit liabilities, average loan/ deposit ratio and cumulative repayment were negative between 1992 and 1993. Similarly, capital and reserves, total assets, deposit liabilities, loans and advances, and investment have been dwindling. In fact, the situation is even more disturbing than what the present available data portrays. It is now obvious that these laudable initiatives have failed. The failure of most past programmes on rural financing strongly suggests the need for an alternative strategy or strategies that would complement government's efforts at developing the rural financial markets.

3. Theoretical Framework and Review of Literature

Investment is of strategic importance to the development of any economy. This is because it significantly determines the long-term course of economic activity. Economic growth comes through the accumulation of capital, quantitative and qualitative expansion of labour force, and improvement in the techniques of production. If the capital stock is to increase over time, then net investment must occur. Since it takes time for a firm to decide its capital stock requirement – orders have to be placed, there will be delivery lags, etc. – these lags can be attributed to costs in adjusting the capital stock. The faster the rate of adjustment (and hence the higher the rate of investment), the greater (are likely to be) the adjustment costs per unit of investment expenditure. These

Table 1: Number of Community Banks and Peoples' Banks' Branches

Year	Community Bank Branches	People's Bank Branches
1989	—	20
1990	1	169
1991	66	169
1992	401	228
1993	611	271
1994	813	275
1995	1132	275

Source: Central Bank of Nigeria: *Major Economic, Financial and Banking Indicators*, 1996

Table 2: Summary of Selected Activities of Peoples' Bank of Nigeria (Nmillion)

	1992	1992	1993	1994	Percentage change between		
	(1)	(2)	(3)	(4)	(1&2)	(2&3)	(3&4)
Number of Branches	228.0	271.0	275.0	275.0	18.9	1.5	0.0
Subvention from Federal Government	451.7	489.2	696.3	835.6	8.3	41.3	20.0
Total Assets	600.6	842.1	928.3	1114.1	40.2	10.2	20.0
Deposit Liabilities	181.5	287.8	275.4	330.4	58.6	-4.3	20.0
Loans and Advances	78.0	167.1	178.2	213.8	114.5	6.5	20.0
Average Loan/Deposit Ratio (%)	43.0	58.1	68.8	68.1	35.1	2.2	19.9
Cumulative Repayment	N/A	148.8	187.4	225.0	—	28.8	20.0
Average Lending Rate (%)	N/A	15.0	20.0	24.0	—	33.3	20.0

Note: N/A – Not Available

Source: Extracted from Central Bank of Nigeria's *Annual Report and Statement of Accounts* (various issues).

costs are due to factors internal to the firms, such as limited managerial and administrative capacity as well as external factors. Thus, a firm concerned with maximizing the present value of its net cash flow would balance the costs of faster adjustment against the benefits of bringing production forward by a more rapid increase in capital stock. The optimal rate of investment would be that for which the marginal adjustment cost just equals the resulting net marginal revenues. Different firms and different kinds of capital goods can be expected to have different lags. This means that current net aggregate investment expenditures will be related to the discrepancies which have existed between the actual K_t and optimal (desired) capital stock, k_t^* , for a number of past time periods. Thus, investment is specified to be a lagged function of past discrepancies between the desired and actual stock:

$$I_t = a(L(t))(K_t^* - K_{t-1}) \quad (1)$$

where $a(L(t))$ is a distributed lag function specifying the time lags in the adjustment process. The cost of adjustment is implicit in equation (1). The general expression for the desired capital stock can be written thus:

$$K_t^* = f(Z_t)$$

Where Z_t is the variable which determines K_t^* . These are current and lagged changes in output (the accelerator model), internal cash flow and/or expected profits (proxied by market value of firms) in current value, price index for new capital (the cash flow model), user cost of capital and price of output. Others are effective rate of taxation, value added quantity, interest rate (the neoclassical model), the ratio of the market value of business assets to their replacement value (Tobin's q model), and expected future and current product demand and wage rates. It is common to add the lagged value of actual capital stock K_{t-1} as a variable of the investment function being estimated for gross investment. It can be noted that the real rate of interest now affects investment by influencing the desired stock of capital. Equation (1) and (2) give the investment demand specification. From the above, it can be seen that the economic theory of investment is essentially a theory of the desired capital stock with the addition of an ad hoc adjustment mechanism, the most common of which is the partial adjustment model of the form:

$$I_t = a(K_t^* - K_{t-1})$$

Where I is private investment (or its components), K the private capital stock, K^* the desired private capital stock and t time.

Although investment is usually a smaller component of aggregate demand than consumption, it is usually more volatile and, as such, important in economic analysis as a source of short-term fluctuation in aggregate demand. Investment is also a crucial variable in the supply side of an economy, as it is the means by which changes in the real capital stock are brought about (Busari and Fashanu 1998). The accumulation of capital (i.e. real investment) is, therefore, a vital element in economic growth and, subsequently, development. With a positive rate of return on capital and a given state of technical knowledge, the acquisition of new capital (investment) is essential to the utilization of such technical progress. The consensus concerning the solution

Table 3. Summary of Selected Activities of Community Banks, End-December; 1991–1995 (Nmillion)

	1991 (1)	1992 (2)	1993 (3)	1994 (4)	1995 (5)
Number of Reporting Banks	60	250	611	813	1132.0
Capital and Reserves	34.0	166.5	625.3	808.0	866.7
Total Assets	126.9	774.4	3252.3	4417.2	4448.1
Deposit Liabilities	76.7	474.6	2188.2	2721.2	3344.6
Loans and Advances	15.9	132.2	708.2	1147.8	1366.4
Investments	16.8	78.9	326.6	448.4	455.5
Average Loan/Deposit Ratio(%)	20.7	27.8	32.4	42.2	40.9
Sectoral Distribution of Loan and Advances					
i. Agric. and Forestry	N/A	23.7	123.4	123.3	141.2
ii. Mining and Quarrying	N/A	N/A	5.7	23.8	60.7
iii. Manufacturing and Food Processing	N/A	20.1	69.6	82.7	70.1
iv. Manufacturing/Others	N/A	6.6	60.0	86.0	77.3
v. Real Estate and Construction	N/A	N/A	47.5	117.1	107.0
vi. Commerce	N/A	43.7	280.0	461.5	626.7
vii. Transportation and Communication	N/A	9.3	53.7	101.0	108.7
viii. Others	N/A	28.8	68.4	152.3	173.9
Deposits and Lending Rates (Average %)					
i. Savings Deposits	N/A	15.6	19.0	15.0	15.0
ii. Time/Term Deposits	N/A	19.4	25.0	Negotiable	Negotiable
iii. Interest Rates on Loans and Advances	N/A	28.9	36.0	21.0	21.0
Number of Reporting Banks	%	Change	Over	Proceeding	December
Capital and Reserves	—	316.7	144.4	33.1	39.2
Total Assets	—	389.7	275.0	29.2	7.3
Deposit Liabilities	—	510.2	320.0	26.6	8.0
Loans and Advances	—	518.8	361.1	24.4	22.9
Investments	—	369.6	313.9	37.3	33.8
Average Loan/Deposit Ratio(%)	—	34.3	16.5	30.2	-3.1

N/A = Not available

Source: Extracted from Central Bank of Nigeria: *Annual Report and Statement of Accounts* (various issues)

to the low, and sometimes negative, growth rates in countries such as Nigeria and other African countries, is that the resumption of growth will require an increase in investment GDP ratio and other investment ratios (Serven 1996).

The main link between growth of real (per capital) GDP (i.e. economic growth) and investment is via the capital stock. This could be represented in a basic neoclassical growth equation which relates growth to productivity of factors of production (Easterly *et al* 1992; Monitio 1995). The role of the financial sector is then invoked by assuming that the financial sector knows the marginal product of capital in alternative economic activities. Thus investible funds are channelled in such a way as to give priority to activities with high marginal products. The result being that funding of high relation activities will lead to better allocation of resources, thus, sustaining high rates of economic growth.

Economic growth is a component of development. Rural development is a part of economic development. It has to ~~make~~ do with an increase in the material and nonmaterial well-being of the people over time (Ijere 1992). Hayani and Ruftani (1971), in their induced development theory, maintain that every country concerned with economic development is necessarily faced with a set of constraints imposed by inelastic supply of strategic inputs (such as funds). No production, no matter how simple the technology is, can take place without the use of capital. The availability of funds for the acquisition of capital goods is crucial for effective economic management which aims at increasing prosperity, equity, and sustainability. In addition, economic management goals are consistent with the primary objectives of the provision of rural finance (Umoh and Ibaga).

Economic literature identifies a very strong relationship between rural finance, investment and rural development. This relationship is presented diagrammatically in Figure 1. Rural finance is a precursor to investment and investment, ultimately, leads to development. Rural financial markets, to a large extent, determine the substance and format of investment systems for rural development projects. Equally, there is an interrelationship between development and resource utilization (Umoh 1996). This interrelationship is encompassed in the phrase "sustainable development". This describes those activities that promote the long-term sensible use of resources. It is the type of development that meets the need of the present without compromising the derivable benefits of future generations from the resources. Ensuring rural development that does not jeopardise the chances of future generations from enjoying the benefits derivable from the rural environment requires a vibrant rural financial environment. Such financial market is capable of leading to

improvement in the income base of the rural population and, invariably, lift them one or two notches up the poverty level.

As earlier stated, a healthy rural financial market means increased investment in the many viable industries existing in the rural areas. Essang (1981) maintains that the establishment of industries is an important strategy for transforming the rural economies of most developing countries. Such industries, he opines, generate demand for agricultural and related products in many ways.

- i. they encourage urbanization of the rural areas and increased dependence on agricultural production by urban workers who are generally characterized by a high income elasticity of demand for food.
- ii. they also generate increased demand for specialist processors, transporters and food distributors in the rural and semirural areas.
- iii. industrialization also creates demand for raw materials, such as cotton, kenaf, and palm oil, whose production and distribution absorb a considerable amount of labour. Such employment is usually accompanied by increased remittances of funds to the rural areas (Titilola 1988; Iwuora 1988).

Taking agriculture as our example, it could be seen that this is the most important, rural economic activity. A healthy agricultural background provides food self-sufficiency, employment and surplus for export. It also forms the basis for small-scale industrialization, based on agricultural service industries, including agro-processing, manufacture and repair of farm implements, transport, and the financial infrastructure for banking and credit. As successful small businesses grow, experience and resources become available for investing in new ventures. Meanwhile, the rural population that is provided with employment opportunities, both in agriculture and its supporting services and industries, can remain for the most part in their settlements, which, in turn, grow and develop. Mass migration to a few cities is avoided, together with the strain on urban services that unplanned settlements invariably cause.

Quite a lot of investment opportunities exist in rural Nigeria. The Federal Ministry of National Planning (1981) identifies 22 types of investment projects (Table 4). The list is, however, not exhaustive. Adegeye (1986), in his book *Small Scale Business: You Can Start with Little or No Capital Investment*, identifies about 200 of such small-scale rural-based businesses. A creative entrepreneur can identify more, taking into cognisance the need and the resources available in a given rural community.

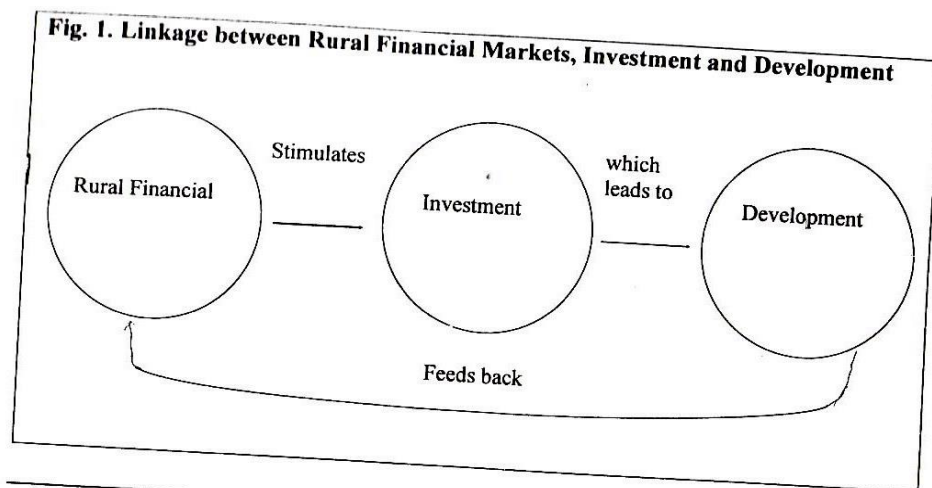


Table 4. Possible Investment Projects in Nigerian Rural Communities

S/No	Projects
1.	Garri and cassava processing
2.	Wine distilling and manufacturing of soft drinks
3.	Fish farming
4.	Weaving
5.	Baking
6.	Flour from rice, yam and plantain
7.	Oil from farm produce and corn
8.	Textile and Paper
9.	Sawmilling
10.	Fruit canning
11.	Leather and skin processing centres
12.	Abattoir with meat processing facilities
13.	Rubber sheets
14.	Grading and grating mills
15.	Clay brick factory
16.	Block moulding factories
17.	Furniture industry
18.	Farm implements and locks
19.	Nail factory
20.	Soap and detergent factories
21.	Plastic manufacturing industry
22.	Candle manufacturing industry

Source: Extracted from the *Fourth National Development Plan, 1981-85*, vol. 1. Federal Ministry of National Planning, Lagos. Jan. 1981, P. 171.

3.1 Methodology

This study, which provides the empirical evidence of the potential of the DSEs on financial mobilization was conducted in Uyo, Akwa Ibom State. Apart from its coverage of urban areas of Uyo, semiurban areas were also covered, including Etoi, Mbierebe, Ekom Imam, Itam and Use Offot. Uyo is located on latitude 05°32N and longitude 07°56E. It is bordered on the south by Ibesikpo Asutan and Nait Ibom Local Government Areas; on the west by Abak Local Government Area; on the north by Ikono and Itu Local Government Areas; and on the east by Urban Local Government Area. By virtue of its geographical location in relation to other important towns in the state, Uyo assumes prominence as a commercial nerve-centre of the state. Majority of the people in the metropolis are traders, craft makers and farmers. Others who are not necessarily Uyo indigenes are either civil servant or traders.

4.1 Data and data collection

Two types of data sets were used in the study, namely, primary and secondary data. The primary data came from small business operators, such as food vendors, barbers, fashion designers, civil servants, farmers, technicians, etc. The simple random sampling technique was used to select 90 clients of the daily savings enterprises (DSE). Data collected bordered mainly on occupation and preference for financial institutions.

In order to complement the information obtained from the clients of DSE, secondary data were collected from 30 DSEs. Information sought included the ownership structure of the DSEs, savings collected by them and category of clients patronizing them. The data collected were subjected to descriptive statistical analysis of simple percentages and presented in tabular form.

5. Results and Discussion

In this section, empirical evidence on the potentials of DSE in savings mobilization are presented and discussed.

5.1 Results of the ownership structure of daily savings enterprises

Table 5 which details the ownership structure of the DSEs in Uyo shows that individual owners (sole proprietorship) is the commonest ownership structure (60 per cent). This is followed by group ownership (40 per cent). None of the DSEs is owned by other financial institutions, government agencies or nongovernmental organizations. Discussions during the field survey revealed

that financial institutions involved in daily financial mobilization in the area had folded up. Such institutions included Ideas Bank, Olympic Mortgage Bank, Urua Uyo Community Bank and Ibom Community Bank. The survival of the individually-owned DSEs seems to underscore their resilience, which could be attributed to advantages of sole proprietorship – quick decision-making, personalized services, etc.

Table 5. Ownership Structure of Daily Savings Enterprises

Type of Ownership	Number	%
Individual	18	60
Group of individuals	12	40
Other financial institutions	0	0
Government Agency	0	0
Non Governmental Organization	0	0
Total	30	100

Source: Field Survey, 1998

Table 6. Category of Clients of the DSE

Clients	Number of Reporting Enterprises	%
Farmers	12	40
Housewives	18	60
Traders	30	100
Barbers	30	100
Fashion designers	30	100
Civil servants	30	100
Others	6	20

Source: Field survey, 1998.

5.2 Clients of the Daily Savings Enterprises

In Table 6, we present the actual clients of the DSEs. These range from barbers, traders, farmers, civil servants, fashion designers to house wives. 60 per cent of the firms identified housewives as their clients while 40 per cent claimed that theirs were farmers. What, perhaps, gives validity to the existence of the DSEs in the Urban areas of Uyo is that all reporting DSEs claim that traders, barbers, fashion designers and civil servants were among their clients. It thus means that while some DSEs cover the farming segment of the population others concentrate on the more urbanized segment.

5.3 Daily Collection by the Daily Savings Enterprises

Table 7 presents the daily collections by the DSE from 1992 to 1997. From the table, the number of clients increased steadily from 1982 up to 1996 after which it began to decline. The total amount collected by the DSEs, and collection per DSE, also follow a similar trend. However, the percentage change in total collection per DSE fluctuates. The lowest percentage change was recorded in 1997 while the highest percentage change of 103.6 was recorded in 1996. The fact that 30 DSEs were able to mobilize funds running into millions of naira shows great potentials in the DSE system. Given the failure of most rural banks possibly due to their nonacceptability by the rural population, one may then point at the DSE as one of the reliable strategies to adopt in developing the rural financial markets.

5.4 Results

In order to establish the acceptability of the DSE, data were collected from 90 respondents and analyzed. The results complement those from the daily savings enterprises presented earlier.

Table 8 contains the clients of DSEs, classified according to their occupations. Majority of the DSEs' clients are traders (55.58 per cent) while about 22 per cent are civil servants. Fashion designers and automechanics also constitute about 11 per cent of the clients, respectively. Normally, one would not expect up to 22 per cent of the DSE clients to be civil servant given that they usually receive their pay at the end of the month through their respective

Table 7. Total Collections of Daily Savings Enterprises

Year	Number of reporting DSEs	Total Number of Clients	Amount collected (N)	Collected per DSE (N)	% change in amount collected Per DSE
	(1)	(2)	(3)	(4)	(5)
1992	6	200	240000	40,000	-
1993	12	410	492000	41,000	2.5
1994	30	652	1,173,800	39,120	-4.6
1995	30	751	1,351,800	45,060	15.2
1996	30	1529	2,752,200	91,740	103.6
1997	30	1306	2,350,800	78,360	-14.6

Note: 4 and 5 are computed by the Author

Source: Field survey, 1998.

banks. Nevertheless, this finding can be explained by the fact that some civil servants in Nigeria are engaged in side businesses of all kinds to supplement the meagre income from their formal employment. Proceeds from these side businesses may be what provides the daily income set aside for the daily savings with the DSEs. The results also reflect the popularity of the DSEs among various occupations.

Table 8. Classification of Respondents (Clients of DSE) by Occupation

Occupation	No of Respondents	%
Trading	50	55.56
Fashion designing	10	11.11
Civil service	20	22.22
Automechanics	10	11.11
Total	90	100.00

Source: Field Survey, 1998.

5.5 Clients' most preferred choice of financial institutions

The preference of the target population or customers for a particular programme or product contributes to the sustainability of such a programme or product. Table 9 contains the respondents preferences of financial institutions. The financial institutions patronized by our respondents include daily savings enterprises (DSEs), Community Banks, Peoples Bank and the commercial banks. In all, 77 per cent of the respondents showed preference for DSEs while 22.22 per cent chose commercial banks.

Table 9. Respondents Most Preferred Choice of Financial Institutions

Financial Institution	Most Preferred (%)	Preferred (%)	Less Preferred (%)
Daily Saving Enterprises	77.78	0.0	0.0
Community Bank	0.0	11.0	33.33
Peoples' Bank	0.0	11.0	22.22
Commercial Bank	22.22	33.33	0.0

Source: Field survey, 1998.

Reasons advanced by respondents for ranking DSEs as their most preferred financial institution are:

- i. the ease with which transactions are undertaken. Most of the respondents said they preferred DSEs because they easily and quickly obtain their deposits (at short notice) to plough into their businesses. This keeps their businesses going;
- ii. the personalized services which they receive from the agents;
- iii. the fear of losing deposits in commercial banks due to distress – a phenomenon which has assumed an uncomfortable dimension in recent years.

5.6 Respondents' occupation and most preferred choice of financial institutions

Further attempt was made to identify which of the available financial institutions had the most preference according to the occupational groupings identified. The results are presented in Table 10. Traders, fashion designers and autometchanics identified the DSEs as their most preferred financial institution. However, civil servants, preferred the commercial banks. Occupational groups who receive daily income tended to prefer the DSEs while civil servants (most of whom) receive their income once a month, expectedly showed preference for the commercial banks. These findings suggest that for any given financial development programme to be sustainable, it has to be tailored to suit the peculiarities (economic, social, etc.) of the target population.

Table 10. Respondents Occupation and Choice of Financial Institutions

Occupation	Financial Institutions most preferred
Trading	Daily savings n = 50
Fashion designers	Daily savings n = 10
Civil service	Commercial Banks n = 20
Automechanics	Daily Savings n = 10

Note: n = no of respondents.

Source: Field survey, 1998

6. Suggestions for Sustainable Rural Financial Market Development: The Mobile Banking Scheme

In Nigeria, government interventions through multiplicity of credit institutions over the years has not resulted in significant improvement in rural financial

intermediation (Olomola 1998). In most parts of the country, several credit schemes have collapsed due to poor loan quality, high transaction costs, widespread delinquency and default, and management deficiencies (Oni 1972; Oshuntogun 1973; Oshuntogun and Oludimu 1981). The liberalization of the economy since the introduction of the structural adjustment programme in 1986 has tended to exacerbate the financial problem of the rural sector. Loanable funds from government sources have dwindled considerably. The cost of borrowing has escalated substantially and the financial outlay for business enterprises has multiplied several-fold, irrespective of the scale of operation due to the ravages of inflation. Consequently, only a limited number of entrepreneurs are in a position to meet their financial requirements.

Empirical evidence from this study confirms the preference of small-scale business entrepreneurs for DSEs in financial mobilization. It has also clearly shown the potentials of the DSE in financial intermediation. Given the peculiarities of the rural areas, the DSE readily lends itself as a viable strategy for the development of the rural financial market.

The mobile banking system, as suggested here, is a type of personalized banking involving the money collector (banker) and his clients. The method requires the banker to design a card which carries the name of the bank or savings collecting agency, its address and the name of the collector (and, if possible, his passport photograph). The card should also carry the name, village or ward, local government area and passport photograph of the depositor. It should also contain 31 separate boxes relating to the days of the months (see Fig. 2). The operation of the system involves the following:

- i. the card is handed over by the banker to the client.
- ii. the client and the banker agree on a daily or weekly amount to be paid as savings.
- iii. at the end of the month (or as agreed upon), the banker would return the amount contributed less a charge for the service. The banker and client would then endorse the portions provided for collectors' signature together with the amount paid to the client. All details of the transaction should be entered on the card and dated.

On the whole, this arrangement, when based on trust, would work well. Essentially, the banker must have a good reputation in order to allay the fear of his making off with other people's savings. Flexibility and simplicity are the other qualities that the mobile banker should possess.

For mobile banking to succeed in Nigeria, the bankers must be familiar with the rural economy and the calendar of activities of the clientele. This would

help in scheduling activities appropriately. For instance, it could be agreed that savings be deposited once or twice a week, corresponding to market days, though it can be spread over a longer period. If the banker can identify occupational groups e.g., palm fruit harvesters, palm wine tappers, crop farmers, fishermen, traders, etc., he can direct his operation towards the group. By knowing or being familiar with the calendar of activities of these groups, it will be possible to know their production period, especially the peak period, and when they are likely to have ready cash.

Mobile banking has several advantages, including that:

- i. transactions can be agreed upon in less than a minute;
- ii. transactions require no form filling;
- iii. transactions take place in the customers' home grounds on days which suit them, and with a banker who is known and trusted;
- iv. its operations do not require the client to be able to read and write; and
- v. the savings pooled by the banker can be loaned to a client for investment without the conditions and processes always encountered in formal financial institutions.

Mobile banking is not a very common feature in Nigeria. It is, however, practised in some urban areas as daily savings outfits. However, its importance in rural banking schemes cannot be overemphasized. Besides savings, mobile bankers can provide credit services, especially, to long-standing and reliable clients. Reports by Spore (1994) reveal that similar arrangements are very popular in Benin Republic. The report has it that:

On market days in the villages of Benin, travelling bankers (as they are called) criss-cross the roads and alley ways to meet their many and varied clients. Tens of thousands of people entrust small amounts of money to these street bankers and then claim back their savings at the end of the month. As well as offering the services of savings, these itinerant bankers may also provide credit. This form of financial service supports a myriad of commercial activities and may represent for the customers concerned the only means of getting access to banking service.

The importance of this arrangement is reflected in an estimated annual savings of about 9 billion FCFA or about 20 million FCFA per banker collected. This could also be a way of pooling idle funds in Nigeria for sustainable development.

Fig. 2. Mobile Banking Card

Name of Bank:
 Address of Bank:
 Name of Official/Collector:
 Year:

Name of Depositor:
 Village/Ward:
 Local Government Area:
 Passport of Depositor:

January	Date	1	2	3	4	5	31	Total (₦)	Charges (%)
	Amount (₦)								
Amount Received by Depositor N. Date: Depositor's Signature: Collector's Signature:									
February	Date	1	2	3	4	5	31	Total (₦)	Charges (%)
	Amount (₦)								
Amount Received by Depositor N. Date: Depositor's Signature: Collector's Signature:									
December	Date	1	2	3	4	5	31	Total (₦)	Charges (%)
	Amount (₦)								
Amount Received by Depositor N. Date: Depositor's Signature: Collector's Signature:									

7. Concluding Remarks

There are over 90,000 rural communities in Nigeria (Iwuora 1988). Many of these communities belong to the preindustrial stage. To survive economically, Nigeria has one option only, and that is to invest in, mobilize and develop the rural sector. It is pertinent to mention that Nigeria's rural transformation may not come through the same path as those of industrialized countries. This is because the conditions that exist in those countries are different from those of Nigeria. The country, therefore, has to chart its rural transformation course. It has to devise its own techniques for viable rural financial markets, which will rekindle investments and, ultimately, usher in sustainable development. The little-known indigenous strategies, such as the mobile banking as suggested in this paper, hold a lot of promises if well implemented. The scheme might as well be all that is needed for a viable rural financial market in Nigeria to bloom.

It is necessary to caution that there are costs of rural development. One of these is the social costs of change. A natural community might have to open up so as to evolve into a modern rural society. The manpower needed to sustain the development drive may not all come from the community. A new level of tolerance will, therefore, be required to accommodate the influx of people. Government laws, rules and regulations will then permeate every aspect of human relationship while former traditions will be reserved exclusively for cultural activities which do not infringe on the fundamental human rights of anybody. The rural people must be willing to bear this cost if meaningful development is to take place.

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