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RURAL BANK CREDIT AND DEPOSIT MOBILIZATION IN NIGERIA

Oyakhiromhe Bamidele Agbadua
Department of Banking and Finance,
Auchi Polytechnic, Edo State
bamideleagbadua@gmail.com

Ezu, Gideon Kasie
Department of Banking and Finance
Faculty of Management Sciences
Nnamdi Azikiwe University, Awka
g.ezu@unizik.edu.ng

ABSTRACT
This study examined rural banks' credit and deposit mobilization with special emphasis on some selected microfinance banks in Anambra State. The researchers were motivated by the apparent absence of banking habit in the rural areas in the past before the introduction of the new revised microfinance policy. The major objective of this research is to examine the degree of deposit mobilization in the rural areas and the ability of microfinance institutions to extend credits to people in the rural areas. Three microfinance banks located at the rural areas were selected (Obeledu MFB, Igboukwu MFB and Ichi MFB) from 2015 to 2022. The reason for this decision is that these banks are located in the rural areas and are largely involved in rural banking. Primary data was used through the distribution of questionnaires to staff of selected microfinance banks in different rural areas in Anambra state. The data obtained were analysed by the use of chi-square test. The result of the analyses showed that there is significant increase in deposit mobilization in the rural areas and there is available bank credit for the people in the rural areas although these people have not taken advantage of the opportunity by coming to banks to obtain loans. Hence, it was recommended that the microfinance banks should identify viable local businesses and extend loans to them, staff of microfinance banks should from time to time meet with some market women association who are engaged in some form of production or agricultural practices and educate them on the ways of promoting their businesses through bank loans. Microfinance banks should also from time to time organize free seminar on financial education and how to boost business profits through the agricultural credit guarantee scheme fund.

Keywords*: Credit, rural, mobilization, unbanked, deposit.*

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INTRODUCTION

The need to extend banking facilities to the rural areas of Nigeria started with the rural banking scheme in the 1970s, and up to the 1980s. However, by the end of the 1980s, it became clear that the conventional banks were no longer willing to open more rural branches; this was simply because such branches were mostly unviable. Opening them therefore ran contrary to the profit objective of the owners. The banks also have preference for big trading companies that operate large volume and value accounts. In confronting this challenge, Nigeria, like most other countries of the world have adopted the concept of micro financing as a means of mobilizing deposits in the rural areas. This is in addition to offering a broad range of other financial services to low income individuals and their micro enterprises. Such deposits are also to be used mainly in providing credits to rural dwellers. It is believed that by extending credit to rural dwellers, a major Millennium Development Goal (MDG) of reducing poverty by half would have become achievable by the target year of 2020.

Just like the savers, the poor also borrow mostly to finance consumption needs. Traditionally, and even up till today, conventional banks have not provided financial services to low-income clients. The lending conditions have been mostly stringent such that customers with little or no security find it difficult and oftentimes impossible to borrow. Even in the area of deposit mobilization, the situation is nearly the same, as banks raise their minimum deposit per client. The above results from the argument by banks that managing several small accounts is more expensive than the management of one big account. The argument seems plausible because the fixed cost of processing loans of any size is considerable just as cases of loan default become more common with larger number of borrowing accounts. The same line of reasoning applies to savings account as paper works per depositor are nearly the same irrespective of the amount involved. Yet, rural development depends more on small loans for cottage activities than a cartel of borrowers concentrated in few capital-intensive industries and located in major cities around the country. Also, availability of savings that can be converted to investment is needed by poor countries for development. Hence, not only are most rural dwellers poor, they are poor because no facility exist for them to save the little they have; they cannot save because banks are non-existent; and because banks are not available nearby, they consume all their income, which also make them poor.

The rural banks in Nigeria are predominantly under banked. This is because of the low level of income that arises from the sparse economic activities that takes place in this area. The essence of this study is to identify such key variables both endogenous and exogenous that affect the effective development of banking habit in the rural areas. As a consequence rural dweller find it difficult patronizing bank even for the most basic reason of opening mere deposit account, granting loans. Banking in rural communities is facing the problems of skilled and courageous personnel because of various inadequacy of infrastructural facilities. Rural dwellers finds it difficult acquiring a loan from the bank; it can be for business expansion, for manpower development or even to solve some immediate pressing problems but because of what they have and do for a living; they can't meet up with the collateral offered by the bank. Instead of them (rural dwellers) to go to the bank, they patronize the local money lenders. Many low income earners barely save for short term as a means of smoothening out consumption during periods of low business activities.

The specific objectives of this study are to:

i. Analyse the degree of deposit mobilization in the rural areas
ii. Assess the availability and the adequacy of bank credits to the rural areas
iii. Determine the contribution of CBN Agricultural Credit Guaranteed Scheme Loans to rural dwellers.

Hypotheses

$H0_1$: There is no significant increase in deposit mobilization in the rural areas.
$H0_2$: There is no available and adequate bank credit for the people in the rural areas.
$H0_3$: The CBN Agricultural credit guaranteed scheme fund has no significant contribution to those living in rural areas.

LITERATURE REVIEW

Conceptual Framework

Credit is defined as a sum of money lent out with a number of conditions attached to the lending such as when is the money would be repaid and the rate of interest to be charged. The Central of Nigeria CBN (1998) explains credit to also include equipment leasing and net inter-bank float in respect of call money, bills discounted and Naira promissory notes. The types of credit includes commercial credits which are extended to merchants to finance production and distribution of goods; investment credits are extended to business firm to finance the acquisition of plant and equipment; and bank credits consist of deposits, loans, and discounts of depository institutions.

However, the amount of credit out-reach is usually determined by the amount of deposit a bank can mobilize (Osayameh 1986). The word deposit is used interchangeably with savings and it is defined as the amount of money people keep in a bank. Vogel (1984) sees it as the forgotten half of rural finance, because there was no policy formulated to encourage rural bank deposits in most places.

Paulson and Me Andrews (1998) identified three types of deposits accounts, this includes pass book/ saving account which earns interest for the holder, current/ deposit account which is usually used for business, holders enjoy overdraft and withdrawal is through cheque books while time or fixed deposits enjoy interest payment according to the length of time. These types of savings are among the various deposits mobilization methods open to a bank.

Objectives of Rural Finances

The existence in Nigeria of economically active rural poor, who have access to little or no financial services gave reasons for the establishment of micro finance policies in Nigeria. Most of these segment cannot pay high interest on loans and the negative effects of an interest rate cap on sustainable rural finance, does not grant permission to skirt the issue of high interest rates altogether. The reality is that Nigeria does have rural citizens that simply can pay 30 percent, or 20 percent, or even 8 percent on loans, but this is not a problem solved by cheap credit, as Nigeria's own experience proves. Poor repayments on targeted subsidized agricultural credit programs have meant that these targeted 'credit' programs are de facto grants. Another objective of rural financing is that farmers and other rural entrepreneurs can access their financing needs through strong and innovative Rural Finance Institutions.

The Importance of Deposit Mobilization to Rural Banks.

Discussing the importance of deposit mobilization of rural banks, Paulson and Me Andrews (1998) posited that it allows rural people to safe guard their money and accumulate funds

that could be used for productive investments such as working capital that could enables clients to earn a stream of profits which are capable of translating into economic growth and development of rural areas. Besides, it was also argued that deposits improve financial intermediation by providing source of funds for rural bank to improve their credit outreach, (see also Porter 1966, and Yaron, et al 1997). Citing cases where rural banks credits have improved rural areas growth, Binswanger and Khandker (1993) reported that India rural banks credits have removed severe constraints in their rural financial markets, which have led to significant rural financial deepening which had a high trade off in rural growth, employment, and welfare of the rural people. Also, the Grameen Bank in rural areas of Bangladesh has assisted in mobilizing deposits from the people, which are used to better their lots.

Problems of Rural Finance in Nigeria

Looking at the wide array of rural finance interventions in Nigeria's past, a key feature underpinning persistent limited rural access (2 percent) is the lack of a financial system approach. The financial systems approach views initiatives in rural finance as part of the larger financial system. Viewing it this way necessarily implies financial viability of the rural financial service providers. Market interest rates, enterprise-orientation, and emphasis on repayment is what set 'the microfinance revolution' apart from traditional agricultural credit, and have become part of the new approach to rural finance. Such an approach has led to successful rural finance elsewhere in the world, despite facing the same challenges of high costs, poor information, and high levels of real and perceived risk. In contrast, most of Nigeria's experience with rural finance falls considerably outside the tenets of a financial systems approach. The bulk of Nigerian rural finance is essentially characterized by a supply-driven agricultural approach whereby finance is a means to allocate resources in rural areas. This is not to say that the Government, and others, are wrong in targeting rural areas (after all, finance schemes not specifically directed towards rural areas appear to inevitably end up on the 'easier' urban terrain), but a more integrated approach is needed if rural finance is to be sustainable.

Theoretical Framework

The portfolio management theory

According to Pyle (1971), Hart and Jaee (1974), a bank's assets and liabilities may all be viewed as securities. As a result of this interpretation, the whole bank may actually be considered as a port folio of securities. According to this theory, banks sell credit, using deposits as inputs. Accepting deposits imply certain administrative costs, as does giving credits. These costs may be summarized in two separate cost functions. If the demand for credit and supply of deposits are exogenously given functions, then the standard marginal cost equals marginal revenue rule may be applied to determine the amounts of credits supplied and deposits demanded by the bank. From basic microeconomic analysis, we know that these will depend on the shape of the cost functions and market structure. Thus for a given market structure, differences in balance sheet compositions could be traced to differences in cost functions. As a bank's cost functions are not observable by outsiders, it is however difficult to state meaningful empirical implications using this approach.

The Role of Microfinance Banks in Deposit Mobilization in Rural Areas.

Microfinance institutions around the world serve different types of clients. These institutions offer various services including loans, savings account, insurance products, and various combinations of these services (Odell, 2010). While microcredit refers to the act of providing

loans of small amounts to the poor and other borrowers that have been ignored by commercial banks, microfinance is the act of providing borrowers with financial services such as savings institutions, and insurance policies (Sengupta and Aubuchon, 2008). More broadly, microfinance is ‘‘a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services, including not just credit, but also savings, insurance, and fund transfers” (Robert et al, 2004). The institutions that carry out these activities in Nigeria are referred to as microfinance banks. A microfinance bank in Nigeria is construed to mean “ any company licensed to carry on the business of providing microfinance services, such as savings, loans, domestic funds transfer, and other financial services that are needed by the economically active poor, micro, small and medium enterprises to conduct or expand their businesses” (CBN, 2005:3).

Microfinance activities can be available in the form of micro credit, micro savings, micro insurance, or other “micro” financial services. The idea of microfinance started in Bangladesh with the establishment of the Grameen Bank. Conventional banks across the world ordinarily find lending to the poor very difficult and unprofitable. Difficult because they lack the skills or the expertise needed to put the borrowed funds to their best possible use; and unprofitable because most of the loans may go bad and may consequently have to be written off. New thinking now centres on micro financing with rural poor as the focus.

Ordinarily, people save because they earn income. But such saving can only come up when their consumption requirements have been met.

Owing to the poverty of rural dwellers, microfinance banks will equally find their operations difficult considering the role of savings deposit in lending and as a veritable source of capital. This notion is shared by Reddy (2007) that savings mobilized from local depositors will ultimately be the largest source of capital for microfinance. Indeed, for him, many microfinance institutions have a mandatory savings rate, such that for larger loans, some microfinance institutions often require borrowers to deposit up to five percent of the loan back into a savings account.

The precursor to microfinance banks in Nigeria was the group of licensed community banks. As a strategy for grassroots development, community banks were introduced into the financial system in 1991. Designed to complement operations of the existing banks, problems started arising as more of those banks became licensed. Equally, majority of them ventured into activities that were not related to their areas of core competence. Many of the banks thereafter became unviable and therefore unsafe for rural dwellers. The resulting problem led to are thinking of the idea by the government.

Thus, following the launching of the Microfinance Policy Regulatory and Supervisory Framework for Nigeria in 2005, more than eight hundred and sixty six microfinance banks have been licensed to operate by the Central Bank of Nigeria (CBN) up to date (Nigeria Deposit Insurance Corporation, 2011). However, this number compares unfavourably with Indonesia whose microfinance sector is one of the largest in the world. As at June2006, Indonesia is said to have an estimated one thousand, nine hundred and fifty five microfinance institutions, some of which are more than one hundred years old (Ovia, 2007).

If microfinance is successful by a measure of any of its aims in Nigeria, including raising incomes, promoting entrepreneurship, advancing loans, engaging in domestic funds transfer, and encouraging savings, then over time, impact assessment especially in the area of effects on savings mobilization can be gauged. Conducting research over the activities of a few

microfinance institutions in Nigeria may not necessarily confirm that microfinance is successful on the basis of deposit mobilization. This is even more important because microfinance institutions around the world serve different types of clients. They also operate in diverse economic environments that are both rural and urban. Given this heterogeneity, a specific study based on only one performance index, such as deposit mobilization, that cut across all microfinance institutions may be of greater relevance.

METHODS

Research Design

Research design can be described as the program that guides researchers in the process of collecting, analyzing and interpreting data.

However, the basic objective of the methodology employed in this study is to answer the research questions stated and hypothesis postulated. In fulfillment of the objectives of this study, the researcher collected materials that are of great relevance to the successful completion of this research work.

Sources of Data

Both primary and secondary data were used in our study. Primary data were collected through interviews, and administration of structured questionnaires. These will give specific responses to our research questions. Primary data is recognized as data that is gathered for a specific research in response to a particular problem through interviews, questionnaires or observations. Secondary data were obtained through various kinds of documents, e.g. Research reports, annual reports, books and articles.

Primary Data

Primary data were obtained with the use of questionnaire and oral interview. These were unprocessed fact obtained from the two bank's customers. Data in this category were collected mainly through personal visits, personal participation, observation and distribution of questionnaires to the bank under study as well as interview with staff of the banks.

Population of the study

This study examines rural banks credit and deposit mobilization in Nigeria. For the purpose of this study, the population of the study consists of staff of microfinance banks operating in Anambra state. However, for the purpose of getting a manageable size of the population, the researcher limited the population to three (3) microfinance banks located in three different rural areas in the state.

Sample Size Determination

A sample is a quantity of something which has been selected as representative. Sampling is a process of selecting a proportion of the population considered adequate to represent all existing characteristics within the target population.

The total number of staff of selected banks (Obeledu Microfinance Bank, Igboukwu Microfinance Bank and Ichi Microfinance Bank) are 65 which forms the population of this research work and hence was used in determining the sample size using Taro-Yamani formula stated thus;

$$n = \frac{N}{1 + n(e)^2}$$

Where;

n=sample size

N=population (65)
e= Error term, which the researcher used 5%
1=constant
Therefore;

$$n = \frac{65}{1 + 65(0.05)^2}$$

$$\frac{65}{1 + 0.163}$$

$$\frac{65}{1.163}$$

$$n = 56$$

Description of Research Instrument
The researcher used open and closed-ended type of questionnaires, which gives the respondents an opportunity for adequate expression of their view on the questions, for collecting our primary data in order to answer the research questions.

Validation of the Research Instrument
The research questions were structured in a scientific way to avoid ambiguity and the questions were made simple.

It was administered to the respective customer during the normal official hours in order to authenticate the reliability of the responses of the questionnaire. Therefore, the questionnaire was internally and externally valid and reliable, fit for use for the research analysis at hand.

Method of Data Collection
Questionnaire administration and personal observations were used and adopted in collections of data used for the study in order to get relevant information that will give credibility to the study. The questionnaires were personally administered by the researcher by hand to the respondents drawn from the chosen microfinance banks in Anambra State.

Method of Data Presentation and Analysis
The data obtained were analyzed using percentage and Chi-square was used in testing the hypothesis. The following is the formula for Chi square.

Algebraically $X^2 = \frac{\Sigma(O-e)^2}{e}$
Where,
X^2= Chi-square
O=observed frequency
e=expected frequency

The expected frequencies are calculated as:

$$\frac{(Total\ row)x(Total\ Column)}{(Grand\ Total)}$$

The critical valve is determined thus;
Degree of freedom= (c-1) (r-1)
The level of significance is 5%=0.05

Data Presentation

The method of data analysis used was based on the statistical table format using frequency distribution and consequently converted into percentages for easy analysis. Each tabular presentation represents the data analysis of each question in the questionnaire which was subsequently described with further discussion.

In all, fifty six (56) questionnaires were administered and the same number of questionnaires (56) were returned, which formed the basis for our analysis and conclusion.

TABLE 4.1 Distribution of respondents by their working experience

	Frequency	Percent	Valid Percent	Cumulative Percent
1 - 3 Years	21	37.5	37.5	37.5
4 - 7 Years	27	48.2	48.2	85.7
8 Years & above	8	14.3	14.3	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.1 above shows that 21 or 37.5% of the respondents are between 1 to 3years, 27 representing 48.2% are between 4 to 7 years and 8 representing 14.3% are 8 years & above.

TABLE 4.2 Distribution of respondents by the organization they work with.

	Frequency	Percent	Valid Percent	Cumulative Percent
Obeledu MFB	18	32.1	30.4	30.4
Igboukwu MFB	22	39.3	39.3	69.6
Ichi MFB	16	28.6	30.4	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.2 above shows that 18 or 32.1% of the respondent work with OBELEDU MFB, 22 representing 39.3% work with IGBOUKWU MFB while 16 representing 28.6% work with ICHI MFB.

TABLE 4.3 Deposit mobilization has increased significantly following the new CBN revised microfinance framework.

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	10	17.9	17.9	17.9
Agree	23	41.1	41.1	58.9
Disagree	14	25.0	25.0	83.9
Strongly Disagree	3	5.4	5.4	89.3
Undecided	6	10.6	10.7	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.3 above shows that 10 or 17.9% of the respondents strongly agreed, 23 representing 41.1% agreed, 14 representing 25.0% disagreed, 3 representing 5.4% strongly disagreed while 6 representing 10.6% are undecided.

TABLE 4.4 My bank mobilize available and adequate deposits from the people living in the area

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	7	12.5	12.5	12.5
Agree	24	42.9	42.9	55.4
Disagree	14	25.0	25.0	80.4
Strongly Disagree	5	8.9	8.9	89.3
Undecided	6	10.7	10.7	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.4 above shows that 7 or 12.5% of the respondents strongly agreed, 24 representing 42.9% agreed, 14 representing 25.0% disagreed, 5 representing 8.9% strongly disagreed and 6 representing 10.7% are undecided.

TABLE 4.5 People in my area don't like saving their money in the bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	4	7.1	7.1	7.1
Agree	20	35.7	35.7	42.9
Disagree	18	32.1	32.1	75.0
Strongly Disagree	13	23.2	23.2	98.2
Undecided	1	1.8	1.8	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.5 above shows that 4 or 7.1% of the respondents strongly agreed, 20 representing 35.7% agreed, 18 representing 32.1% disagreed, 13 representing 23.2% strongly disagreed and 1 representing 1.8% are undecided.

TABLE 4.6 My bank maintain enough deposits to give out credit facilities

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	13	23.2	23.2	23.2
Agree	27	48.2	48.2	71.4
Disagree	5	8.9	8.9	80.4
Strongly Disagree	1	1.8	1.8	82.1
Undecided	10	17.9	17.9	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.6 above shows that 13 or 23.2% of the respondents strongly agreed, 27 representing 48.2% agreed, 5 representing 8.9% disagreed, 1 representing 1.8% strongly disagreed and 10 representing 17.9% are undecided.

TABLE 4.7 Customers have access to credit facilities in my bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	1	1.8	1.8	1.8
Agree	30	53.6	53.6	55.4
Disagree	9	16.1	16.1	71.4
Strongly Disagree	8	14.3	14.3	85.7
Undecided	8	14.3	14.3	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.7above shows that 1 or 1.8% of the respondents strongly agreed, 30 representing 53.6% agreed, 9 representing 16.1% disagreed, 8 representing 14.3% strongly disagreed and 8 representing 14.3% are undecided.

TABLE 4.8 There are no credit worthy customers in the rural areas qualified to obtain credit facilities from my bank

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	5	8.9	8.9	8.9
Agree	26	46.4	46.4	55.4
Disagree	5	8.9	8.9	64.3
Strongly Disagree	13	23.2	23.2	87.5
Undecided	7	12.5	12.5	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.8 above shows that 5 or 8.9% of the respondents strongly agreed, 26 representing 46.4% agreed, 5 representing 8.9% disagreed, 13 representing 23.2% strongly disagreed and 7 representing 12.5% are undecided.

TABLE 4.9 My bank is active in the CBN Agric credit guarantee programme

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	13	23.2	23.2	23.2
Agree	24	42.9	42.9	66.1
Disagree	7	12.5	12.5	78.6
Strongly Disagree	1	1.8	1.8	80.4
Undecided	11	19.6	19.6	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.9shows that 13 or 23.2% of the respondents strongly agreed, 24 representing 42.9% agreed, 7 representing 12.5% disagreed, 1 representing 1.8% strongly disagreed and 11 representing 19.6% are undecided.

TABLE 4.10Good number of people living in my area have access to loan

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	2	3.6	3.6	3.6
Agree	16	28.6	28.6	32.1
Disagree	24	42.9	42.9	75.0
Strongly Disagree	10	17.9	17.9	92.9
Undecided	4	7.1	7.1	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.10 above shows that 2 or 3.6% of the respondents strongly agreed, 16 representing 28.6% agreed, 24 representing 42.9% disagreed, 10 representing 17.9% strongly disagreed while 4 representing 7.1% are undecided.

TABLE 4.11 Agric credit guarantee has contributed to agricultural output in my area

	Frequency	Percent	Valid Percent	Cumulative Percent
Strongly Agree	8	14.3	14.3	14.3
Agree	20	35.7	35.7	50.0
Disagree	16	28.6	28.6	78.6
Strongly Disagree	4	7.1	7.1	85.7
Undecided	8	14.3	14.3	100.0
Total	56	100.0	100.0	

Source: Authors' field survey 2023

Table 4.11 above shows that 8 or 14.3% of the respondents strongly agreed, 20 representing 35.7% agreed, 16 representing 28.6% disagreed, 4 representing 7.1% strongly disagreed while 8 representing 14.3% are undecided.

Testing of Hypotheses

Hypothesis 1

H0: There is no significant increase in deposit mobilization in the rural areas.

$$x^2 = \frac{\sum(fo - fe)}{fe}$$

Where,

x^2 = Chi-square

Fo = Observed frequency

Fe = Expected frequency

$\sum$ = Summation

Question seven, eight and nine would be used to test hypothesis.

Responses	**Seven**		**Eight**		**Nine**		**Total**
	Fo	**Fe**	**Fo**	**Fe**	**Fo**	**Fe**	
SA	10	7	7	7	4	7	**21**
A	23	22	24	22	20	22	**67**
D	14	15	14	15	18	15	**46**
SD	3	8	5	8	13	8	**21**
U	6	4	6	4	1	4	**13**
Total	56	56	56	56	56	56	**168**

COMPUTATION OF CHI-SQUARE

$X^2_{R1} = \frac{(10-7)^2}{7} + \frac{(7-7)^2}{7} + \frac{(4-7)^2}{7}$

$= 1.3 + 0 + 1.3 = 2.6$

$X^2_{R2} = \frac{(23-22)^2}{22} + \frac{(24-22)^2}{22} + \frac{(20-22)^2}{22}$

$= 0.04 + 0.18 + 0.18 = 0.4$

$X^2_{R3} = \frac{(14-15)^2}{15} + \frac{(14-15)^2}{15} + \frac{(18-15)^2}{15}$

$= 0.07 + 0.07 + 0.6 = 0.74$

$X^2_{R4} = \frac{(3-8)^2}{8} + \frac{(5-8)^2}{8} + \frac{(13-8)^2}{8}$

$= 3.1 + 1.1 + 3.1 = 7.3$

$X^2_{R5} = \frac{(6-4)^2}{4} + \frac{(6-4)^2}{4} + \frac{(1-4)^2}{4}$

$= 1 + 1 + 2.3 = 4.3$

$X^2 = 2.6 + 0.4 + 0.74 + 7.3 + 4.3 = 15.34$

DEGREE OF FREEDOM

(R-1)(C-1)

(4-1)(3-1)

(3) $\times$ (2)

D.F = 6

T.v (Tabulated Chi-square valve) = 12.59

$X_2 = 15.34$

The critical or table value at 5% level of significance and D.F=6, is 12.59 where the calculated Chi-square is 15.34.

Decision Rule:

If the calculated Chi-square value is greater than critical table value, we reject the Null hypothesis and accept the Alternative and vice-versa.

Decision: Since the calculated Chi-square value (15.34) is greater than the table value (12.59), we accept the Alternative and conclude that there is significant increase in deposit mobilization in the rural areas.

Hypothesis 2

H0: There is no available and adequate bank credit for the people in the rural areas.

$$x^2 = \frac{\sum(fo - fe)}{fe}$$

Where,

x^2 = Chi-square

Fo = Observed frequency

Fe = Expected frequency

$\sum$ = Summation

Questions Ten, Eleven and Twelve would be used to Test Hypothesis.

Responses	**Ten**		**Eleven**		**Twelve**		**Total**
	Fo	**Fe**	**Fo**	**Fe**	**Fo**	**Fe**	
SA	13	6	1	6	5	6	**19**
A	27	28	30	28	25	28	**83**
D	5	6	9	6	5	6	**19**
SD	1	7	8	7	13	7	**22**
U	10	9	8	9	7	9	**25**
Total	56	56	56	56	56	56	**168**

Computation of Chi-Square

$X^2_{R1} = \frac{(13-6)^2}{6} + \frac{(1-6)^2}{6} + \frac{(5-6)^2}{6}$

= 8.1 + 4.2 + 0.2= 12.5

$X^2_{R2} = \frac{(27-28)^2}{28} + \frac{(30-28)^2}{28} + \frac{(26-28)^2}{28}$

= 0.0 + 0.1 + 0.1 = 0.2

$X^2_{R3} = \frac{(5-6)^2}{6} + \frac{(9-6)^2}{6} + \frac{(5-6)^2}{6}$

= 0.2 + 1.5 + 0.2 =1.9

$X^2_{R4} = \frac{(1-7)^2}{7} + \frac{(8-7)^2}{7} + \frac{(13-7)^2}{7}$

= 5.1 + 0.1 + 5.1 =10.3

$X^2_{R5} = \frac{(10-9)^2}{9} + \frac{(8-9)^2}{9} + \frac{(7-9)^2}{9}$

= 0.1 + 0.1 + 0.4 =0.6

X^2=12.5+0.2+1.9+10.3+0.6 = 25.5

Degree of Freedom

(R-1)(C-1)

(4-1)(3-1)

(3) $\times$(2)

D.F = 6

T.v (Tabulated Chi-square valve) = 12.59

X_2 = 25.5

The critical or table value at 5% level of significance and D.F=6, is 12.59 where the calculated Chi-square is 25.5

Decision Rule:
If the calculated Chi-square value is greater than critical table value, we reject the Null hypothesis and accept the Alternative and vice-versa.

Decision: Since the calculated Chi-square value (25.5) is greater than the table value (12.59), we accept the Alternative and conclude that there is available and adequate bank credit for the people in the rural areas.

Hypothesis 3
H0: The CBN Agricultural credit guaranteed scheme fund has no significant contribution to those living in rural areas.

$$x^2 = \frac{\sum(fo - fe)}{fe}$$

Where,
x^2 = Chi-square
Fo = Observed frequency
Fe = Expected frequency
$\sum$ = Summation

Questions Thirteen, Fourteen and Fifteen would be used to Test Hypothesis.

Responses	**Thirteen**		**Fourteen**		**Fifteen**		**Total**
	Fo	**Fe**	**Fo**	**Fe**	**Fo**	**Fe**	
SA	13	8	2	8	8	8	**23**
A	24	20	16	20	20	20	**60**
D	7	16	24	16	16	16	**47**
SD	1	5	10	5	4	5	**15**
U	11	7	4	7	8	7	**23**
Total	56	56	56	56	56	56	**168**

Computation of Chi-Square

$X^2_{R1} = \frac{(13-8)^2}{8} + \frac{(2-8)^2}{8} + \frac{(8-8)^2}{8}$
= 3.1 + 4.5 + 0= 7.6

$X^2_{R2} = \frac{(24-20)^2}{20} + \frac{(16-20)^2}{20} + \frac{(20-20)^2}{20}$
= 0.8 + 0.8 + 0 = 1.6

$X^2_{R3} = \frac{(7-16)^2}{16} + \frac{(24-16)^2}{16} + \frac{(16-16)^2}{16}$
= 5.0 + 4 + 0 = 9.0

$X^2_{R4} = \frac{(1-5)^2}{5} + \frac{(10-5)^2}{5} + \frac{(4-5)^2}{5}$
= 3.2 + 5 + 0.2 =8.4

$X^2_{R5} = \frac{(11-7)^2}{7} + \frac{(4-7)^2}{7} + \frac{(8-7)^2}{7}$
= 2.3 + 1.3 + 0.1 =3.7

X^2=1.6+7.6+9.0+8.4+3.7 = 30.3

Degree of Freedom
(R-1)(C-1)
(4-1)(3-1)
(3) ×(2)
D.F = 6
T.v (Tabulated Chi-square valve) = 12.59
X_2 = 30.3

The critical or table value at 5% level of significance and D.F=6, is 12.59 where the calculated Chi-square is 30.3

Decision Rule:
If the calculated Chi-square value is greater than critical table value, we reject the Null hypothesis and accept the Alternative and vice-versa.

Decision: Since the calculated Chi-square value (30.3) is greater than the table value (12.59), we accept the Alternative and conclude that the CBN Agricultural credit guaranteed scheme fund has significant contribution to those living in rural areas.

DISCUSSION

The result obtained from this study shows that there exist available and adequate credit facilities with the microfinance banks but people living in the rural areas are not taking full advantage of it. Most of the respondents from the various microfinance banks opined that they have enough cash to extend credit facilities.

Secondly, the study shows that the Agricultural credit guarantee scheme fund has contributed significantly to those living in the rural areas. This is to say that these banks are actively involved in helping the scheme achieve its objectives.

CONCLUSION AND RECOMMENDATIONS

Conclusion

From the result of the study, it was observed that microfinance banks actively mobilize deposits from the rural areas and are readily available in terms of credit extension. This study also complements Kazi (2012), where he examined deposit mobilization in banking sector. He opined that deposit mobilization is a scheme intended to encourage customers to deposit more cash with the bank and this money in turn will be used by the bank to disburse more loans and generate additional revenue for them. It the case of microfinance banks, it is usually targeted at encouraging growth in the rural areas through the disbursement of loans to productive business. Following the above, it can be concluded that microfinance banks have available deposits with little loans prospects hence the limited growth in rural areas.

5.3 Recommendations

- Since there exists significant increase in deposit mobilization in the rural areas the microfinance banks should identify viable local businesses and extend loans to them. The microfinance banks should focus more on the local farmers associations, market women associations e.t.c. Those associations of people require more funds to boost their businesses and make more profits. Since these are group of persons engaging in a particular line of local business, there should not be much emphases on collateral.
- Secondly, the available credit facilities should not be left in the bank vaults, staff

of microfinance banks should from time to time meet with some market women association who are engaged in some form of production or agricultural practices and educate them on the ways of promoting their businesses through bank loans.

- Microfinance banks should from time to time organize free seminar on financial education and how to boost business profits through micro loans. This will stimulate the interest of more local men and women in the CBN Agricultural credit guaranteed scheme.

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