

COMMUNITY PARTICIPATION IN RURAL FINANCE INSTITUTIONS MANAGEMENT: EVIDENCE FROM NIGERIA

Onugu Charles Uchenna¹ and Ositanwosu Chukwunonso Onyeibo^{2*}

^{1,2}Department of Agricultural Economics & Extension, Nnamdi Azikiwe University, Awka, Nigeria.

²College of Economics and Management, South China Agricultural University, Guangzhou, P.R. China.

ABSTRACT: *The study is institutional, focusing on an appraisal of the participation of Community Development Association (CDA) in the management of community banks in Nigeria. Thirty nine (39) regulators of the programme, drawn from the National Board for Community Banks; the then supervising agency, were the respondents. Structured questionnaire was used to obtain data on the roles and depth of involvement of the CDA in the bank's management. Also the success of such roles and the challenges faced were examined. Simple and multiple percentages as well as chi-square (X^2) were the statistical tools used in data analysis. The study found that even though the acquisition of the controlling equity by the CDA, as statutorily provided, was not fully successful, they were however involved in the bank's management. Notable challenges such as the difficulty of using CDA when conflict exists in the host community, the presence of unfit CDA representatives in the bank's board and tussles for board membership among the villages or communities owning the banks were evident.*

KEYWORDS: Community, Community Participation, Community Banks, Community Development Association, Bank Regulators.

INTRODUCTION

Community participation has gained considerable momentum among government, donor agencies and international organizations involved in developmental initiatives. Participation has become a familiar phrase for most institutions ranging from the smallest Non-Governmental Organization, to the World Bank (Blackman, 2003). 'Participation', according to Ndegwa (2013) can be conceived as "an active process by which beneficiaries or client group influence the direction and execution of a development project with the view to enhance their well being in terms of income, personal growth, self-reliance or other values they cherish". Participation can also be viewed as people's involvement in decision making process, programme implementation, benefits and evaluation of such development programmes (Steve and Olufemi, 2011). According to FAO (2005) and supported by Nyaba (2009), it is evident that through participatory programmes and activities, local knowledge and resources can be mobilized effectively for self-reliant development and sustainable impact on work done. This, accordingly, has led to an immense surge in the conditionality of participation attached to development programmes. Thwala (2010) affirmed that participation by the people in the institutions and systems that govern their lives are basic human rights. Their rights they believe

are essential for realignment of political power in favour of disadvantaged groups and for social and economic development.

The community banking programme in Nigeria was conceived to serve as a catalyst for rural development. FAO (2004), states that the fundamental concept of community banking is one of a self-sustaining financial institution, owned and managed by a community, for the purpose of providing credit, banking and other financial services to its members.

The decree establishing the community banking system defines 'community' under the programme, as a group of people who possess a common bond arising from residence, occupation, profession or other similar attributes and who interact fairly frequently in the pursuit of shared economic or social goal (Marx, 2004). Ejiofor (1994), described a successful community bank as "a development centre, pulling out like magnet, pockets of petty peasant savings, pooling and channeling them to modern development projects in the community, creating opportunities for modern sector employment and on top of all, returning to the peasant savers interest and safety of cash, and to the shareholders pride of ownership and dividend". The community banking programme, indeed, came out of the need to close the gap in meeting the credit requirement of the grassroots operators and to raise the productive state of the rural economy. The programme commenced in 1991, however, the banks metamorphosed to microfinance banks in 2007.

Statement of Problem

Prior to the commencement of the community banking programme in Nigeria, the country had operated several programmes aimed at addressing the credit needs of the productive actors in rural Nigerian. Notable among those programmes were the Nigerian Agricultural credit Guarantee Scheme Fund; the Rural Banking Scheme; and, the Peoples Bank. These programmes failed, largely due to the non-participation of the communities where they were located particularly in its ownership, planning and executions. Loans and financial services from the programmes were taken as 'national cake' or 'free money'. These programmes were basically top-down in approach and seriously alienated the host communities. This was the situation that existed when the community banking programme came on board. The community banking programme unlike what existed then, has inbuilt structures, targeted at ensuring the participation of the host community. The structure is seen in its ownership pattern where the apex Community Development Association (CDA), where it is located, owns a minimum of 30% share of the equity and as well, the highest share holding. Also, the ownership by law is further composed of a minimum of fifty shareholders, drawn from sons and daughters of the community, Community Based Organizations (Age-grades, cooperative farmer groups, occupational unions, trade associations, social and religious groups and women organizations). None of these latest categories of shareholders are expected to own more than 5% of the equity. Equally, community participation is also provided for in the operations of the bank through its Board composition, where the president of the CDA, and an important women leader in the community should be members.

Having run this programme for seventeen years in Nigeria, one is challenged to ask; how practicable was the involvement of CDA in the operations of community banks in Nigeria? What were the goals of involving the CDA and were they achieved? What constraints were observed in involving CDA in the management of these banks? And lastly, what potentials exist from the Nigerian experience for ensuring active participation of communities in the management of rural finance institutions in the developing world.

Objectives of the Study

The broad objective of this study is to appraise the participation of communities through its apex Community Development Association, in the management of rural financial institution using Community banks in Nigeria as a case. Specifically the study is designed to address the understated objectives:

- To assess the degree of involvement of CDA in the operations of community banks.
- To ascertain the goals of involving CDA in the management of community banks.
- To determine the level at which the goals of involving CDA were met in the community banking programme.
- To identify the challenges inherent in involving CDA in the management of community banks, as well as ways of strengthening them
- To deduce from the findings, the potentials of community participation in the management of rural finance institutions in the developing world

Hypotheses for the Study

H₀¹: Regulators of the Community banking programme believes that CDA were not significantly involved as stakeholders in its operation.

H₀²: Regulators of the Community banking programme believes that the roles of CDA as stakeholders in its operations were not significantly achieved.

H₀³: Regulators of the Community banking programme do not hold similar opinion that the CDA participation to a great extent is a problem in the banks' management.

H₀⁴: Regulators of the Community banking programme do not support the continued participation of CDA in its management.

METHODOLOGY

This study is institutional. Focus was on the field experience and perception of 39 operational staff of 'The National Board for Community Banks (NBCB)'. They were drawn from their 8 zonal offices and the Head Office in Abuja, Nigeria. Eight (8) zones were created by NBCB for the supervision of the activities of community banks in Nigeria. The zones are North Central Zone, with headquarter in Kaduna, Kaduna State; North Western Zone, with headquarter in Minna, Niger State; North Eastern Zone, with headquarter in Bauchi, Bauchi State; Middle-Belt Zone, with headquarter in Markurdi, Benue State; South-east zone with headquarter in Enugu, Enugu State; South-South zones, with headquarter in Uyo, Akwa-Ibom State; Mid-West Zone, with headquarter in Benin, Edo State, and South-West Zone, with Headquarter in Lagos, Lagos State. These zones house the zonal offices with operational staff that covered activities of the banks in the states that make-up each of the zones.

Data was collected from 4 operations staff in each of the eight zones. Also 7 other similar staff from NBCB Head Office in Abuja were involved. This gave a total sample size of 39. Structured questionnaire was used to collect primary data from the regulators, while secondary

data sourced from books, journals and conference papers in the subject areas, were used for the introduction and problem statement. Descriptive statistics such as frequencies, means, simple and multiple percentages were used. Chi-square (X^2) analysis for univariate distribution (Obikeze, 1980; Kumar, 2002) to test hypotheses 1, 2 and 4 was applied and its computation is as bellow stated.

$$X^2 = \frac{\sum \frac{(O - E)^2}{E}}{N}$$

Where

- O = Observed category proportions
 E = Average number of cases per category
 N = Sample size

Hypothesis 3, was analysed by the use of cohran Q test and its computational formula (Kumar, 2002) is as understated.

$$Q = \frac{(K - 1) [K \sum T_c^2 - (\sum T_c)^2]}{K (\sum T_r) - \sum T_r^2}$$

Where:

- T_c = the marginal total for the columns
 T_r = the marginal total for the rows
 K = Number of samples (categories)

For the test, the categories are 8 and represented as $P_1 - P_8$, which stands for the associated problems of involving CDA in community bank operations. These problems ($P_1 - P_8$) are as follows:

- P_1 = Conflicts among segments of host communities
 P_2 = Inability to contribute 30% share allocation
 P_3 = Instability in Board administration
 P_4 = Meddlesomeness in Bank administration
 P_5 = Politicization of bank operations
 P_6 = Poor representation in the board
 P_7 = Discourage participation of non-indigenes
 P_8 = Easily affected when conflict exist in a community

RESULTS AND DISCUSSIONS**Uptake of controlling share by Community Development Association****Table 1: Distribution of respondents on the implementation of CDA uptake of controlling share.**

Options	Frequency	Percentage(%)
Very Successful	5	13
Successful	7	18
Fairly successful	10	26
Not successful	17	43
Total	39	100

Source: Field Survey, October, 2014.

The Community banking programme was structured to ensure notable participation of the community through the uptake of a controlling share (30%) of the equity by the apex Community Development Association where it is located. Table 1, shows that the shares were not fully taken. All together, only 31% of the respondents stated that they took up their share, while 43% felt otherwise.

Involvement of Community Development Association in Community Bank Operations**Table 2: Distribution of Respondent on CDA Involvement in Community Bank Operations**

Options	Frequency	Percentage (%)
Very involved	4	10
Involved	7	18
Fairly involved	17	44
Not involved	11	23
Total	39	100

Source: Field Survey, October, 2014.

One of the ways of involving the CDA fully in the operations of community banks was their representations in both the Board and Board Committees of the bank (NBCB, 1992; CBN, 2005). From the results (Table 2), only 28% clearly indicated they were involved. A larger percentage (44%) of the regulators, stated that they were fairly involved, whereas' 28% felt otherwise. The views of these regulators were further subjected to the test of hypothesis (H_0^1), which sought to affirm whether CDA's were significantly involved as stakeholders in the operations of the banks. Drawing from table 2, the chi-square (X^2) result are; computed value = 8.6, critical value = 7.8 at 0.05 significant level and degree of freedom = 3. These results imply that the regulators found the CDA's involved in the operation of the community banks.

Role of Community Development Associations in Community Banks**Table 3: Distribution of Respondent on Role of CDA's on CB's**

	Options	Frequency	*Percentage (%)
1	Ensure Community Participation	39	100
2	Ensure the sustainability of the community banking system	21	54
3	Prevents elite-hijacks of the bank ownership in the community	35	89
4	Promote community mobilization	13	33
5	Promote community development	19	49
6	Facilitates recovery of bad debts (Loan)	17	44
7	Promotes credit delivery to community members	15	38
8	Builds confidence among members of the community	29	74

*Multiple Responses

Source: Field survey, October, 2014

The regulators of the community banking programme were asked to state the role of CDA in the banks. Table 3, represents their multiple responses on the issue. Eight (8) roles were listed, however three (3) were dominant and they include: Ensuring community participation (100%), preventing 'elite-hijack' of the bank ownership (89%) and building confidence on the bank amongst the communities (74%). From this result, it can be affirmed that the roles of CDA's were quite clear and directed at mobilizing the community behind the bank and using the banks as the platform for their development.

Achievement of Community Development Association Role in Community Banks**Table 4: Distribution of Respondent on Achievement of CDA Roles in Community Banks**

Options	Frequency	Percentage (%)
Well achieved	4	10
Achieved	6	15
Fairly achieved	15	39
Not achieved	14	36
Total	39	100

Source: Field Survey, October, 2014.

The importance of any role assigned to corporate entities lies on its achievement. According to Anyanwu (2004), when roles are fulfilled in organizations, it promotes staff motivation, positive work environment and quest to achieve more. From the statistical distribution in the table above, 25% of the regulators positively indicated that CDA roles in the community banking programme were achieved, whereas 36% felt otherwise. However, 39% opined that their roles were fairly achieved. Equally, in asserting whether the roles of the CDA were achieved in the years the community banking programmes lasted, the opinion of the regulators were hypothetically (H_0^2) tested. Subjecting the data in Table 4 to chi-square test, the result revealed thus: computed value = 9.3; critical value = 7.8; at 0.05 significance level and degree of freedom = 3. This result implies that CDA roles in the programme were achieved.

Challenges of Involving Community Development Association in Community Banks Operations.**Table 5: Distribution of Respondent on problems of involving CDA in Community Banks operations.**

	Options	Frequency	*Percentage (%)
1	Generates conflict among segments of the host communities	31	79
2	Inability to contribute the 30% share allocation	37	95
3	Creates instability in boards administration	29	74
4	Meddlesomeness in bank management	15	38
5	Politicization of Community bank management	17	44
6	Limits participation of non-indigenes in the Community	23	59
7	Easily affected when conflict exists in the community	25	90
8	Allows unqualified persons on the Board of the bank	31	79

*Multiple Responses

Source: Field survey, October, 2014

Table 5 presents the multiple responses of the regulators on challenges of involving CDA as stakeholder in the Community banks operations. Five of such problems were remarkable. They include; problems in contributing their 30% share allocation (95%); easily affected when conflict exists in the community (90%); allows unqualified persons on the Board of the bank (79%); generates conflict among segments of the host communities (79%); and creates instability in Board administration (74%).

Equally, the extents to which each of the identified problems influences the involvement of the CDA as stakeholders in the operation of the banks were determined. Using a four-point linkert-scale (Table 6), the multiple of the regulators responses and the linkert-scale value (in bracket) was summed and divided by their number to arrive at mean (x) response, represented as remark. The value of the remark indicates the extent each of the listed problems matter. In all, the grand mean (x) response of 3 implies that the CDA was to a great extent, a problem, as participants in the operation of the banks.

Extent of Problems in Involving Community Development Associations in Community Bank Operations**Table 6: Distribution of Respondents to Extent of Problems of Involving CDA in Community Bank Operations.**

S/N	List of Problems	To a Very Great Extent	To a Great Extent	To some Extent	Not at all	Remark
1.	Generates conflicts among segments of the host communities	5 (20)	21 (63)	11 (22)	2 (2)	3
2.	Inability to contribute the 30% share allocation	5 (20)	24 (72)	7 (14)	3 (3)	3
3.	Instability in Board Administration	7 (28)	23 (69)	5 (10)	4 (4)	3
4.	Meddlesomeness in bank Management	- (0)	9 (27)	21 (42)	9 (9)	2
5.	Politicization of Community Banks Operations	7 (28)	17 (51)	9 (18)	6 (6)	3
6.	Allows unqualified persons on Board of the Bank	5 (20)	19 (57)	12 (24)	3 (3)	3
7.	Discourage participation of non-indigenes in the community	- (0)	7 (21)	21 (42)	11 (11)	2
8.	Easily affected when conflict exists in the community	19 (76)	13 (39)	7 (14)	- (0)	3
Grand Mean (\bar{x})						3

Source: Field Survey, October, 2014.

The views of the regulators were further subjected to hypothetical (H_0^3) test, which sought to determine if they hold similar opinion that the CDA participation to a great extent is a problem in the banks' management. Using the Cochran Q test, which uses the linkert value (4 to 1), indicators for each problem (P_1 to P_8), by the 39 regulators. The result shows; computed value = -4; critical value = 14.07 at 0.05 significant level and, degree of freedom = 7. These results show that the regulators hold similar opinion, that the CDA participation to a great extent is a problem in the banks' management.

TABLE 7 Distributions of Respondents on Similarity of Opinion that the CDA participation to a great extent is a problem in the banks' management.

S/NO.	P ₁	P ₂	P ₃	P ₄	P ₅	P ₆	P ₇	P ₈	T _r	T _r ²
1	4	4	4	3	4	4	3	4	30	900
2	4	4	4	3	4	4	3	4	30	900
3	4	4	4	3	4	4	3	4	30	900
4	4	4	4	3	4	4	3	4	30	900
5	4	4	4	3	4	4	3	4	30	900
6	3	3	4	3	4	3	3	4	27	729

7	3	3	4	3	4	3	3	4	27	729
8	3	3	3	3	3	3	2	4	24	576
9	3	3	3	3	3	3	2	4	24	576
10	3	3	3	2	3	3	2	4	23	529
11	3	3	3	2	3	3	2	4	23	529
12	3	3	3	2	3	3	2	4	23	529
13	3	3	3	2	3	3	2	4	23	529
14	3	3	3	2	3	3	2	4	23	529
15	3	3	3	2	3	3	2	4	23	529
16	3	3	3	2	3	3	2	4	23	529
17	3	3	3	2	3	3	2	4	23	529
18	3	3	3	2	3	3	2	4	23	529
19	3	3	3	2	3	3	2	4	23	529
20	3	3	3	2	3	3	2	3	22	484
21	3	3	3	2	3	3	2	3	22	484
22	3	3	3	2	3	3	2	3	22	484
23	3	3	3	2	3	3	2	3	22	484
24	3	3	3	2	3	3	2	3	22	484
25	3	3	3	2	2	2	2	3	20	400
26	3	3	3	2	2	2	2	3	20	400
27	2	3	3	2	2	2	2	3	19	361
28	2	3	3	2	2	2	2	3	19	361
29	2	3	3	2	2	2	1	3	18	324
30	2	2	3	2	2	2	1	3	17	289
31	2	2	2	1	2	2	1	3	15	225
32	2	2	2	1	2	2	1	3	15	225
33	2	2	2	1	2	2	1	2	14	196
34	2	2	2	1	1	2	1	2	13	169
35	2	2	2	1	1	2	1	2	13	169
36	2	2	1	1	1	2	1	2	12	144
37	2	1	1	1	1	1	1	2	10	100
38	2	1	1	1	1	1	1	2	9	81
39	2	1	1	1	1	1	1	2	9	81
T_C	107	109	111	78	103	104	74	129	815	18176

Source: Field Survey, October, 2014.

Continued Participation of CDA's in the Community Banking Programme.

Table 8: Distribution of Respondent on Continued Participation of CDA's

Options	Frequency	Percentage (%)
Highly Supported	8	21
Supported	15	38
Fairly Support	6	15
Not Supported	10	26
Total	39	100

Source: Field Survey, October, 2014.

The above views were put to hypothetical test (H_0^4) to affirm if the regulator at a probability level does not support the continued participation of CDA in the banks' management. The result indicated; computed value = 9.5; critical value = 7.8 at 0.05 significant level and, degree of freedom = 3. These results therefore indicate that the regulators support the continued participation of CDA in the management of the banks. It is evident that alienation of host community in the management rural financial institutions established in Nigeria was one of the fundamental factors that led to their failure. The view of these regulators clearly strengthens the need for the involvement of beneficiaries in development programmes.

Strengthening the Participation of CDA in Community Banking Programme.

Table 9: Suggestions for Strengthening CDA Participation

S/N	Suggestion	Frequency	Percentage (%)
1.	Proper enlightenment on their roles	35	90
2.	Ensuring that they meet their equity obligations	39	100
3.	Sustained Training of CDA Members	28	72
4.	Ensuring that authentic CDA are used	21	54
5.	CDA representative in the Board to be based on competence	30	77
6.	Return on investment (Dividend) for CDA's shares should be re-invested in the bank or community project	11	28
7.	Continued monitoring and strengthening of CDA representatives by regulators	29	74
8.	CDA to use its influence in the community to source asset (Land, economics trees, mineral deposit) and capitalize its value in lieu of its equity	7	18
9.	Raising of CDA's share-holdings to at least 50% of the equity	3	8

* Multiple Responses

Source: Field Survey, October, 2014.

Table 9 shows the multiple responses of the regulators on ways of strengthening CDA participation in community banks' management. However, out of the nine suggestions listed, five were much highlighted.

SUMMARY AND CONCLUSION

This paper appraised the involvement of Community Development Association (CDA) as a key stakeholder in the management of Community banks in Nigeria. The views of NBCB officials who were regulators of the programme provided the data relied on for this deductive appraisal. The regulators from the researcher's interaction did not only possess high educational background, but had the requisite experience for the job. Therefore, their opinion on the programme is highly reliable. From the outcome of this study, it was found that the uptake of the controlling shares of the bank by the CDA was not fully successful, even though they were

involved in the management of the banks. Their roles in the management of the bank centered on mobilizing the community in support of the bank through their structured presence, protection of the banks from elite-hijack and confidence building among the community.

The study clearly showed that there were challenges in their participation in the management of the banks. This includes; difficulty in contributing the equity allotment in the bank, associated problems that arise when conflict exist in the host community; the presence of unfit representation in the Bank's Board, as well as tussles in accommodating segments of the host communities interest in the Bank Board.

The continued participation of CDA in the management of the banks was advocated by the regulators, however with suggestions that they should be strengthened through proper enlightenment of their roles, as well as ensuring that they take-up their controlling shares. Equally stated is the need for quality representatives in the Bank Board and most importantly the training of the Directors.

In conclusion, community participation in the community banking programme in Nigeria, though successful, had key challenges associated with CDA involvement. In the researcher's view, their controlling share posture should be de-emphasized. While it is important to retain community participation, the equity structure should be liberalized to include all Community Based Organizations (CBOs), in all spheres; economic, social, political and religious. The minimum number of fifty shareholders as enshrined in the banks operational guideline should be retained. Also, the capital formation should be restructured to a maximum of 1% and 5% to individuals and CBOs respectively. This will likely solve the problem of meeting up the share-allotment.

The issue of being in the Board should be based on the individuals' or groups' stake in the ownership of the bank and a mutually-agreed plan that will reflect gender and community balance. This will serve as a check to conflicts in the banks, brought about by tussle for Board membership, either within the CDA or among the segments of the host communities. Above all, the quality of the members should be uppermost in constituting the Bank board. It must be stressed that consequent to the difficulty in getting professionals to manage or be in the board of financial institutions in rural areas of particularly developing nations, that, the inevitability of regulators filling such gaps, through regular supervision and sustained training of available operators is paramount.

The community banking programme in Nigeria, which has now transformed to microfinance banks, has shown that rural communities when well mobilized and properly guided can spearhead their economic growth through a financial institution that is not only theirs, but where they are part of its decision-making and operations.

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