International Journal of Agricultural Extension and Rural Development Studies
Vol.6, No.4, pp.43-50, July 2019
Published by European Centre for Research Training and Development UK (www.eajournals.org)

DETERMINANTS OF SAVING BEHAVIOUR OF RURAL COCOA FARMERS IN IKOM AGRICULTURAL ZONE, CROSS RIVER STATE, NIGERIA

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ABSTRACT: *The main concern of this study was to ascertain the determinants of saving behaviour of rural cocoa farmers in Ikom Agricultural Zone of Cross River State. The specific objectives of the study were to; ascertain the methods of saving used by rural cocoa farmers in the area; examine the effectiveness of the saving methods used and, ascertain the variables that determine rural cocoa farmers' saving behaviour. The study adopted a survey design, the population of the study comprised all registered cocoa farmers in the area. Two extension blocks (Etung and Ikom) were purposively selected for the study, and from the blocks, six communities were selected from each blocks, and three (300) hundred respondents were randomly sampled for the study. The result of analysis revealed that, rural farmers save money using their homes, boxes, holes, clay pots, cooperative and keeping in bams and with relatives etc. it was also observed that investing in project, buying of assets, bams and cooperative etc. were the most effective saving methods used by the farmers. The study found that the saving behaviour of rural cocoa farmers was determined by their age, education, marital status and income among others. The study therefore, recommended among other things, robust rural banking reforms to improve rural farmers savings.*

KEYWORDS: saving behaviour, rural cocoa farmers, Ikom agricultural zone, Cross River state, Nigeria

INTRODUCTION

The traditional view about the rural farmers particularly those in sub-Saharan Africa is that a substantial proportion of them are poor and live in desperate conditions. In both developed and developing countries, saving has been recognized as a veritable panacea for social and economic development, and the benefits of saving have equally been acknowledged, both at the individual household level and at the national level. For individual rural households, saving insulates them against future exigencies; and for national economy, saving, provides the funds needed to engineer development process. The incomes of rural households (who are largely farmers) are perceived to be so low such that one wonders how they meet daily survival needs. Studies on rural poverty shows that the incidence and intensity of poverty in the villages is much higher than in the towns (Sabri, 2010). Yet the consensus about rural income and family budgets indicates that the average propensity of the rural households to save is much higher than the national average.

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

According to Sabri (2010) public savings can be mobilized by increasing revenue sources and by controlling non development public expenditure, thereby generating a budgetary surplus. Private savings can be organized by banking system, development of financial institutions, while rural savings in most countries of the world revolves around various indigenous saving techniques. Some of the indigenous saving techniques widely engaged by rural farmers include, saving in boxes, holes, keeping with friends, rural cooperatives, bams, among others.

In contemporary economic development discourse, capital accumulation has been identified as a necessary condition for economic development. The main problem of economic development in the third world economies is largely the inability of the people to save more and invest in development activities. The rate of investment is frequently determined by the rate of saving, savings are carried out in various ways depending on geographical, social, educational and economic variables that are capable of prevailing on people's saving behaviour (Robinson, 1994). It has also been profoundly argued within the financial community that, the saving disposition of the rural farmers is not necessarily a function of the absolute level of aggregate income, but more rapidly determined by the correlation between current level of income and expected income, the nature of farm enterprise, household size, farm size, wealth and demographic variables such as age, sex and marital status among others.

Despite the convergence of opinions that sustained saving is a catalyst for personal and economic development, there is rarely a viable programme to encourage, control and evaluate rural farmers' saving behaviour. Rural households enjoy unrestrained spending; as the consumption propensity increases, the propensity to save decreases at fixed income level. Increase in social and consumption expenditure is likely to reduce the saving capacities of households, savings therefore, can only be increased when households reduce the amount of income spent on consumption (Omonona, 2000). As one's income improves, he would have money in excess of immediate requirement and thus would be able to save. In this sense, with better sales, increased profit, high crop yield, low interest on loan, subsidy and credit facilities, and high amount of money collected from other avenues that would enable households to possess money, the saving ability and willingness to save would also increase (Wen and Ishida, 2001).

Studies by Jhingan (2000) shows a non-linear relationship between age and savings, while Newman, Tarp, Brock Qyang and Khai (2008) observed that saving rates increase with education. Omonona (2000) found a positive correlation between access to credit and saving. Generally, impatient consumers will be tempted to borrow and consume more in the present, hence save less; some current savers will reduce their savings since future needs can be financed more easily through credit. Although rural farmers' saving behaviour is generally perceived to be influenced by demographic, institutional, cultural, economic and social dynamics, little empirical undertakings have been engaged to determine the influence or otherwise of these variables on rural cocoa farmers' saving behaviour in Ikom Agricultural Zone of Cross River State. It is against this background that this study was conducted.

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

Objectives of the study

The general objective of the study was to ascertain the determinants of saving behaviour of rural cocoa farmers in Ikom Agricultural Zone of Cross River State. The specific objectives were to;

i. ascertain the methods of saving used by rural cocoa farmers in the study area;
ii. determine the effectiveness of the saving methods used by the respondents, and
iii. ascertain the variables that determine rural cocoa farmers' saving behaviour.

METHODOLOGY

The study was carried out in Ikom Agricultural Zone of Cross River State, comprising Boki, Etung, Ikom, Obubra, Yakurr, and Abi Local Government Area respectively. The study adopted a survey design and the population of the study comprised all registered cocoa farmers in the study area. The study adopted purposive sampling technique in the selection of two agricultural blocks (Etung and Ikom) based on the intensity of cocoa production in the area. In the blocks selected, six communities each were randomly selected for the study, and from the twelve (12) communities, 300 registered farmers (respondents) were selected using systematic random sampling technique. Data for the study were collected with the aid of a validated semi structured questionnaire, and analyzed using frequency count, percentages, mean and probit regression model.

RESULTS AND DISCUSSION

Table 1: Distribution of respondents based on types/methods of saving used

VARIABLES		IKOM		ETUNG		TOTAL
(Type/method of saving)	F	%	F	%	F	%
Banks	11	7.33	10	6.67	21	7.00
Keeping in the house	149	99.33	121	80.67	270	90.0
Digging ground and burying	30	20.00	16	10.67	46	15.33
In cooperatives	78	52.00	81	54.00	159	53.0
Age groups	41	27.33	62	41.33	103	34.33
Association or clubs	39	26.00	50	33.33	89	29.67
Lending the money to borrowers	87	58.00	94	62.67	181	60.33
Saving by way of acquiring landed assets	64	42.67	73	48.67	137	45.67
Buying of physical asset	56	37.33	67	44.67	123	41.0
Giving the money to friends and relatives to keep for me	21	14.00	30	20.00	51	17.00
Buying of shares	2	1.33	1	0.67	3	1.00
Barms	69	46.00	58	38.67	127	42.33
Daily saving	43	28.67	39	26.00	82	27.33
Insurance saving	1	0.67	2	1.33	3	1.00

Source: Field Survey, 2019

Data on Table 1 show the distribution of respondents based on the types/methods of saving used. In Ikom, the result reveals that a substantial number of cocoa farmers save their money by keeping it at home (99.33%), in bams (46%). However, only a negligible number of the farmers save their

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

money in the bank (7.33%) buy shares (1.33%) and insurance (0.67%). In Etung there was a similar trend as majority of the respondents indicated that they save by lending to borrowers (62.67%), in cooperatives (54%), and acquisition of assets (48.67%). Like their counterparts in Ikom, farmers in Etung scarcely save in the bank (6.67%), buy shares (0.67), and save in insurance (1.33%). This result implies that in both Ikom and Etung, cocoa farmers are popular with the traditional or customary ways of saving money such as keeping at home (90%), in cooperative (53%), lending to borrowers (60.33%) and acquisition of assets (45.67%). Interestingly, all the supposed modern methods of saving such as the bank, insurance and acquisition of shares are not popular in the area. This findings could be attributed to two main reasons. First, because of the high level of illiteracy in the area, most of the farmers do not know how to operate some of the modern saving methods, perhaps because they cannot read and write, and they often have misgiving over their money in the financial institutions. Second, it could well be that because the area is predominantly rural, there are no sufficient financial institutions such as banks and insurance for the people to save their money or because the institutions are not sufficient and decentralize to cater for the banking needs of isolated or geographically disadvantaged rural farming households. This finding agrees with Khan *et al.*, (2002), that the method of saving used is determined by the prevalent cultural factor, availability of saving methods/options, farmers level of literacy, and the requirement of each type of saving method. Similarly, Brata (2009) maintain that many rural farmers save their money at home, lend to borrowers or buy landed assets because of the inefficiency or paucity of rural banking infrastructure.

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

Table 2: Distribution of respondents based on degree of effectiveness of saving methods utilized

S/No	Methods	IKOM								ETUNG								Total	
		ME		E		NE				ME		E		NE					
		F	%	F	%	F	%	□	Rank	F	%	F	%	F	%	□	Rank	□	Rank
1.	Bank	0	0	0	0	150	100	1.00	10th	0	0	6	4	144	96	1.00	9th	1.00	9th
2.	Cooperative	91	60.67	59	39.33	0	0	2.61	3rd	52	34.67	68	15.33	30	20	1.95	7th	2.28	4th
3.	Association/club	40	26.67	60	40	50	33.33	1.93	6th	71	47.33	58	38.67	21	14	2.33	3rd	2.13	6th
4.	Lending to borrowers	52	34.67	68	45.44	30	20	2.15	4th	60	33.333	90	60	10	6.67	2.27	4th	2.21	5th
5.	Burying in ground	2	1.33	4	2.67	144	96	1.05	8th	0	0	0	0	150	100	1.00	8th	1.03	8th
6.	Investing project	120	80	30	20	0	0	2.80	1st	90	60	60	40	0	0	2.60	1st	2.70	1st
7.	Buying of assets	98	65.33	40	26.67	12	8	2.57	3rd	70	46.62	50	33.33	30	20	2.27	4th	2.43	2nd
8.	Lending to friends and relatives	30	20	98	65.33	4	2.67	1.93	6th	40	26.67	98	65.33	12	8	2.19	6th	2.06	7th
9.	Bams	71	47.33	21	14	58	38.67	2.09	5th	80	63.33	69	46	1	0.67	2.53	2nd	2.31	3rd
10.	Buying of shares	0	0	0	0	150	100	1.00	10th	0	0	0	0	150	100	1.00	9th	1.00	9th
11.	Insurance	0	0	0	0	150	100	1.00	10th	0	0	0	0	150	100	1.00	9th	1.00	9th

Source: Field Survey, 2019; ME = Most Effective; E = Effective = Not Effective

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

A mean score of 2.0 on a 3-point likert scale was used as a benchmark to rank a method of saving as effective or not effective. All methods with a mean score of 2 and above were accepted as an effective method of saving and those with lower scores were. Also, ranking was used to measure the degree of effectiveness. Based on the data on table 2, investing in projects (2.80), buying of assets (2.57), saving in cooperative (2.61), lending to borrowers (2.15) and saving in Bams (2.09) were identified as effective methods of savings. However, in the order of degree of effectiveness, investing in projects (2.80), cooperative (2.61) and buying of assets (2.54) were rated as the most effective methods of saving by cocoa farmers in Ikom Local Government Area.

Data on Table 2 further indicate that buying of shares (1.00) and banking (1.00) were not effective methods of saving in Ikom Local Government Area. It cold be concluded, based on the result that the most effective methods of saving by cocoa farmers were investing in projects, buying of physical assets and saving in cooperatives.

Table 2 also shows that investing in projects (2.60), saving in association/clubs (2.33), lending to borrowers and buying of physical assets (2.27), lending to friends and relatives (2.19) were identified as effective methods of saving by Etung cocoa farmers. In the order of degree of effectiveness, investing in projects 90% (2.60), saving in Bams 80% (2.53) and saving in association/clubs 71% (2.33) were found to be the most effective methods of saving. However, method such as cooperative 52% (1.95) was used as method of saving by a good member of farmers. This result implies that the more formal methods of saving (banks, shares and insurance) were regarded as not effective methods of saving by cocoa farmers in Ikom and Etung. It was found from the result on Table 2 that saving with association/clubs (2.33) was identified as an effective method of saving in Etung whereas cocoa farmers in Ikom did not identify that as a saving method (1.93), hence not an effective method of saving. Similarly, lending to friends and relatives (2.19) in Etung was an effective method while in Ikom (1.93), it was not an effective method. The implication of this result is that cocoa farmers in the study area relied on community-based methods of saving, as the more formal methods such as banks, insurance and buying of shares were not effective. This result confirms the findings of Babatunde *et al.,* (2007).

Table 3: Probit regression result of the relationship between farmers socio-economic characteristics and saving behaviour.

Variables	**Coefficient**	**Standard**	**t-value**
Intercept (x_0)	-2.39694***	1.08844	-2.20219
Age of farmers (x_1)	-0.37692	0.41716	-0.90353
Education of farmers (x_2)	0.24817***	0.07607	3.238
Sex of farmer (x_3)	0.53429*	0.42338	1.2196
Marital status (x_4)	0.28596**	0.16160	1.76963
Occupation of farmers (x_5)	-0.00112	0.04822	-0.03445
No of children (x_6)	-0.31820***	0.18739	-1.69811
Income (x_7)	0.25638**	0.05981	1.95462

Source: Field Survey, 2019

Summary statistics: sample 300; x^2 test:374.307***; level of significance, *** = 1%, ** = 5%, * = 10%.

Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107

The model is estimated for the full sample of cocoa farmers, saving behaviouruse is modeled as a function of a farmer's age, level of education, sex, marital status, occupation and number of children and income. Cocoa farmers education level, sex, marital status and number of children were statistically significant in determining the saving behaviour of farmers. The other two variables age cocoa farmers and occupation were not significant in influencing saving methods. It could be concluded that cocoa farmers saving dispositions depends on their level of education, marital status, sex number of children and income. This result agrees with the findings of Babatunde *et al.,* (2007) and Rehman *et al.,* (2011) that savings behaviour of farmers is underpinned by their socio-economic disposition.

CONCLUSION

Saving has been seen as a major instrument of growth. Household saving provides rural households particularly farmers with financial security needed in time of emergency and for addressing future needs. This study has shown that rural cocoa farmers adopts a wide range of indigenous saving techniques to save their money. The reason for wide adoption of traditional saving approaches is due in part to low banking institutions in rural areas as well as social and cultural influences. Whatever the saving orientation of the farmers, the main determinants of saving behaviour, as indicated include age, educational level, sex, marital, income and household size etc. It is equally important to acknowledge that rural cocoa farmers are engaged in various saving dispositions with varying degree of effectiveness.

Recommendations

Based on the findings, the study recommends as follows:

i. Government should undertake robust rural banking reforms to create modern banking system for rural dwellers.

ii. Farmer education and enlightenment should be strengthened to enable rural farmers embrace contemporary saving approaches and reduce their grib on traditional methods of saving.

iii. Credit facilities and subsidies should be provided for the farmers.

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Print ISSN: ISSN 2058-9093, Online ISSN: ISSN 2058-9107