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LOCAL LEVEL INSTITUTIONS AND SOCIO-ECONOMIC ACTIVITIES OF THE RURAL FARM HOUSEHOLDS IN GIREI AND YOLA SOUTH LOCAL GOVERNMENT AREAS OF ADAMAWA STATE NIGERIA

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Abstract

The study of local level institutions (LLIs) and socio-economic activities of the rural farm households in Girei and Yola South Local Government Areas of Adamawa state, Nigeria. Multistage random sampling was used in selecting one hundred and twenty (120) rural farm households' member of the local level institution and data were collected through questionnaire administration. The data were analysed using descriptive statistics to determine socio-economic characteristics and effect of microcredit to the rural community while analytical statistics like multiple regression was used the analyse the effect LLIs microcredit facilities delivery on the socio-economic activities of the rural farm households. The study revealed that the mean monthly cash contribution (Adashe) to the institution by the members was N8,216.67 and mean annul cash (Adashe) disbursement to the members by the institution was N91,000.00. Government and LLIs jointly put the basic amenities in some communities while they jointly sustain them in all the communities. The multiple regression model showed that LLIs' microcredit delivery had positive coefficients and greater than zero as expected but fall to predict the socio-economic activities of the rural farm households. Therefore, the study recommended that government to formulate policies that will include the LLIs into the current food security programs and poverty alleviation programs and make it a channel for loan delivery. The policies will be targeted at improving the welfare of the rural farm households, their source of livelihood, a typical income inequality and gender inequality in agriculture.

***Key words*:** *agriculture, LLIs, microcredit, gender inequality, rural, Nigeria*

INTRODUCTION

The Local Level Institutions (LLIs) also known as Informal Financial Institutions (IFIs) had several definitions by researchers. Local Level Institutions are those institutions that embrace all financial transactions that takes place beyond the functional scope of various countries and other financial sector regulation [7]. These institutions are not controlled directly through major monetary and financial policy instruments but are created by individuals and groups with no legal status. Local level institutions can be referring to be institutions that are not directly amendable to control by key monetary and financial policy instruments [8]. The traditional/local institutions and groups are social and economic. Some serve both social and economic purposes in livelihood of their members. The social groups help in creating social capital, institutional identity, and relationships within, members' attitudes and values that govern interactions among them as a people. These contribute to economic and social development of the communities [10]. These communities have cooperative groups, religious groups, mutual associations groups, Age grade groups, social and friends' club and Fadama groups. The economic groups concern themselves with their mutual interest that revolve around solving problems of primary production and marketing of whatever is their products and services. Evidence is showing that local institutions can have an impact on developmental outcomes – growth, equity, and poverty alleviation. Social capital as reflected in associational activity may lead to less imperfect information and hence lower transactions costs and a greater range of market transactions which can in turn lead to better outcomes [12].

Moreover, individuals do not affiliate without expectations of some social, psychological or material rewards and the relatively high income status of the rural farm households has implication for households' welfare, expenditures as well as their cash contribution to their associations [6]. Informal Financial Institutions effect on socio-economic development with reference to Rotational Savings Credit Association (ROSCA) improves the economic condition of subsistence rural farmers through easy availability of finance for adequate storage facilities to protect their farm products from seasonal price dangle [15]. This enables the farmers to store their product until the prices are reasonable enabling farmers to reap the reward of high profits.

The broad of object of the study is the analyze the local level institutions' microcredit delivery effect on socio-economic activities of the rural farm households. The specific objects are;

i. Describe the socio-economic characteristics of the rural farm households in Yola south and Girei local government area.

ii. Describe the effect of local level institutions' microcredit delivery in rural community.

iii. Analyse the local level institutions' microcredit effect on the socio-economic activities of the rural farm households.

MATERIALS AND METHODS

The study was conducted in Yola South and Girei Local Government Areas of Adamawa State, Nigeria. Girei Local Government Area lies between Longitude 11º14' E and Latitude 7º11' N and Yola South Local Government Area lies between longitude 12º28'E and latitude 9º14'N of the Equator and of the GMT [2]. The study area falls within the Northern Guinea Savannah Zone with land mass of 2,420.05km2 and a population of 512,849 [13]. The rain season commences in April and ends in late October, while the dry season starts in November and ends in April. The mean annual rainfall of the area is about 1000mm [2]. The study area is generally suitable for agriculture due to the type of climate, landforms, and soil types it exhibits.

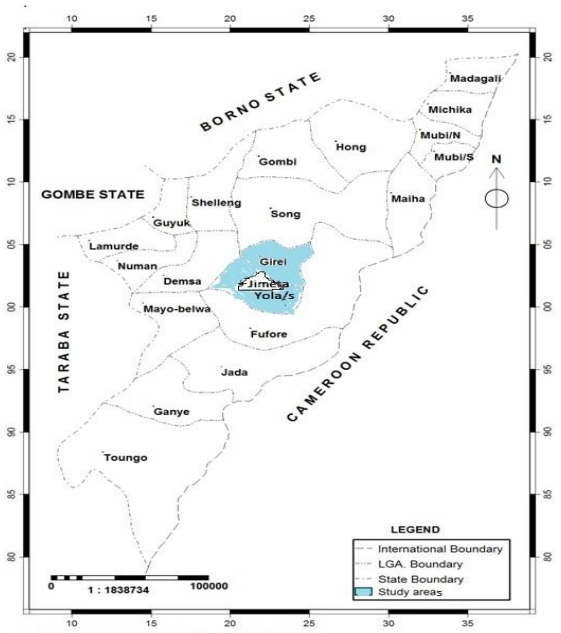

Fig. 1. Map of Adamawa Showing the Study Areas
Source: Own determination.

This study adopted multistage random sampling technique to select the wards, local level institutions and farm households. List of registered local level institutions was collected from the local government secretariat. In the first stage, twelve (12) wards were randomly selected from the two local government areas. This was used as the sampling frame. The second stage was the random selection of two (2) local level institutions from each of the wards. This gives twenty-four (24) local level institutions. The last stage was the random selection of five (5) farm households' beneficiaries of local institutions' microcredit delivery in each of the selected local level institutions. This gives a total of one hundred and twenty (120) respondents to be sampled. Primary data was collected with the aid of questionnaire.

Descriptive statistics such as: percentages, mean, table, frequency were used to describe the socio-economic characteristics of the rural farm-household, analyse of the effect of microcredit in the rural community and multiple regression used to analyse the effect of LLIs microcredit delivery on the socio-economic activities of the rural farm households in the study area. Following Zaman (1999) [15] and Ijaiya (2011) [11]

with some modification, the model for the analysis is stated as:

$$SEAsi = f(FLLIsi, VHCsi) \quad \ldots\ldots\ldots\ldots\ldots.. 1$$

where:

$SEAsi$ = socio-economic activities proxy by the income generated by individual respondent from all socio-economic activities (farm and non-farm)

$FLLIsi$ = facilities provided by LLIs

$VHCsi$ = vector of household characteristic of individual respondent.

Also,

$$FLLIsi = \begin{pmatrix} FAOFi, FPTFi, FBHFi, FEDFi, \\ HBFi, BFi, PTFi, IFi, FAFi \end{pmatrix} .2$$

$$VHCsi = (GDRi, EDUi, OCCi, HHSi) \ldots\ldots\ldots 3$$

Substituting equation (2) and equation (3) into equation (1) gives a multivariate relationship equation:

$$SEAsi = f\begin{pmatrix} FAOFi, FPTFi, FBHFi, FEDFi, \\ HBFi, BFi, PTFi, IFi, FAFi, \\ GDRi,, EDUi, OCCi, HHSi \end{pmatrix} \ldots\ldots\ldots 4$$

The final step is estimating the equation using ordinary least square (OLS) as follows:

$$SEAsi = \beta_0 + \beta_1 FAOFi + \beta_2 FPTFi + \beta_3 FBHFi + \beta_4 FEDFi + \beta_5 HBFi + \beta_6 BFi + \beta_7 PTFi + \beta_8 IFi + \beta_9 FAFi + \beta_{10} GDRi + \beta_{11} EDUi + \beta_{12} OCCi + \beta_{13} HHSi + \varepsilon_i \ldots\ldots\ldots 5$$

where:

$FAOFi$ = Farm activities only microcredit facilities based on monthly contribution (adashe) and choice of the respondent.

$FPTFi$ = Farm activities and petty trade microcredit facilities based on monthly contribution (adashe) and choice of the respondent.

$FBHFi$ = Farm activities and built a house microcredit facilities based on monthly contribution (adashe) and choice of the respondent.

$FEDFi$ = Farm activities and education microcredit based on monthly contribution (adashe) and choice of the respondent.

$HBFi$ = Health bill loan facilities based on the respondent's request and LLIs' capacity.

BFi = Burial ceremony loan facilities based on respondent's request and LLIs' capacity.

$PTFi$ = Petty trade loan facilities based on respondent's request and LLIs' capacity.

IFi = Investment loan facilities based on respondent's request and LLIs' capacity.

$FAFi$ = Farm activities loan facilities based on respondent's request and LLIs' capacity.

$GDRi$ = Gender (F=0, M=1)

$EDUi$ = Educational background (No formal education = 0; primary education = 1; secondary education = 2; tertiary education = 3)

$OCCi$ = Occupation (Primary occupation: farm=0; civil servant=1; student=2; petty trade=3 and secondary occupation: farm=0; civil servant=1; student=2; petty trade=3)

$HHSi$ = Household size.

β_0 - β_{13} = coefficients

ε_i = Error term

The a-prior expectations or the expected behaviour of the independent variables (FAOFi, FPTFi, FBHFi, FEDFi, HBFi, BFi, PTFi, IFi, FAFi, GDRi, EDUi, OCCi, HHSi) on the dependent variable (SEAsi) in the model are FAOFi > 0:, FPTFi > 0:, FBHFi > 0:, FEDFi > 0:, HBFi > 0:, BFi > 0:, PTFi > 0:, IFi > 0:, FAFi > 0:, GDRi > or < 0:, EDUi > 0:, OCCi > 0:, HHSi > 0:, as an indication that the more the values of the socio-economic activities in the study area.

RESULTS AND DISCUSSIONS

The socio-economic characteristics of the respondents as shown in Table 1 showed that a total 75 respondents (62.5%) of the rural household heads in the study area were males while 35 respondents (37.5%) were females. This shows that male headed farm households were more interested in membership of local level institutions and have the ability to form social capital than female headed households. This result agreed with the findings that women headed households tend to have significantly lower membership and levels of overall civic participation in social networks than males [9][6]. Male dominance in farming activities may be due to the drudgery nature of agriculture [3]. The age of farm households head ranged from 20 to 61 years with a mean age of 41years. Table 1 showed that 79.2% of the farm households head were aged between 20 to 50 years. This means that most of the respondents were in their productive years which should have a positive impact on the

level of output. These findings, may be of some importance with respect to the membership, civic participation and delivery of microcredits to members. The result reveals that younger ages that is less than 31years (18.3%) who are the youth population is low. A mean age of 44years [1] and a mean age of 41 years [6] had been observed and it revealed that young small holder farmers were not many rural areas due to migration of young enterprising youths to the urban areas in search of with collar jobs and better social lives.

The result showed that 97 respondents (80.8%) of farm households head are married, 9 respondents (7.5%) farm households head are single and never married before, 8 respondents (6.7%) are widow and widower while 6 respondents (5.0%) are divorced. It was revealed that 94.58% of the beneficiaries are literate and this may have positive effect on the availability of family labour which may lead to increase in their level of production which can translate to higher income for the rural farmers [1]. The household size ranges from 1-25 with mean household size of 9. The household size ranging from 5-10 with 62 respondents (62.5%) was the highest. The household sizes are typical of most rural framing communities in Nigeria where household labour is the most dependable source of farm labour [14].

The table showed that mean number of years spent in local level institutions by the sample households was 3 years with ≥2 years (60.8%) the most frequent year. This indicates a relatively low membership experience in social networks in the study area. It has been reported that higher social capital benefits accrue to individuals with a relatively longer period of local organization affiliation [5]. It was noticed that individuals do not become a member without social, psychological and material rewards. The mean monthly income of the farm households in local level institutions was ₦42941.67. The relatively low income status of the farm households with 56 households (46.6%) having income range of ₦21,000-30,000 has implication for households' agricultural activity, welfare, expenditures as well as their cash contribution to their local institutions. The mean monthly expenditure of the farm households in the local level institutions was ₦30,033.33.

The result showed that 108 (90%) members of the local level institutions were literate possessing divers formal educational levels ranged from primary school education to tertiary school education. This revealed that educated farm households will generally appreciate the membership of local level institutions in order to receive and evaluate information for business improvement and productivity [4].

Table 1. Socio-Economic Characteristics of the Rural Farm Households

S/N	Socio-economic characteristics	Frequency	Percentage (%)
1	Gender of household head		
	Female	45	37.5
	Male	75	62.5
2	Age (years)		
	≤ 20	1	0.8
	21 – 30	21	17.5
	31 -40	34	28.4
	41 – 50	40	33.3
	51 – 60	20	16.7
	≥ 61	4	3.3
3	Marital status		
	Single never married	9	7.5
	Married	97	80.8
	Widow/widower	8	6.7
	Divorced	6	5.0
4	Household size		
	1 – 5	27	11.7
	6 – 10	62	62.5
	11 – 15	16	13.3
	16 – 20	9	7.5
	21 – 25	5	4.2
	≥ 26	1	0.8
5	Number of years spent in local level institution		
	≥2	61	50.8
	3	26	21.7
	4	33	27.5
6	Monthly income (₦)		
	≤ 20000	8	6.7
	21000 – 40000	56	46.6
	41000 – 60000	40	33.4
	61000 – 80000	12	10.1
	81000 – 100000	2	1.6
	≥ 101000	2	1.6
7	Educational level		
	No formal education	12	10.0
	Primary education	32	26.7
	Secondary education	31	25.8
	Tertiary education	45	37.5
8	Main occupation		
	Farmer	81	67.5
	Civil servant	31	25.8
	Student	8	6.7
	Petty trade	0	0
9	Secondary occupation		
	Farmer	39	34.82
	Petty trader	73	65.18

Source: Own calculation.

Majority of the respondents were farmers by profession (67.5%) while 31 (25.8%) were civil servants and 8 (6.7%) were students. Thirty-four respondents (34.82%) have

farming as their secondary occupation while 73 of the respondents (65.18%) have petty trading as their secondary occupation.

The result of the effect of local level institutions' microcredit delivery in the rural community is presented in table 2, 3,4,5 and 6. The monthly contribution (Adashe) was used as microcredit for farming activity, petty trade, education, built a house etc. While the mandatory membership dues are used for general running of the association and loaned to members who showed interest in loan. These contributions include payment of membership dues, marriage levies, health bill, burial levies, community project/ development levies, and so on.

The result showed that the monthly contribution (Adashe) ranged from N5,000 to N20,000 had mean contribution of N8,216.67 apart from mandatory monthly membership dues. The result showed the greater portion 70 (58.3%) of the members contributed poorly cash amount of ≤N5000 while 57 (47.5%) of the members received from N41,000 to N80,000.

Table 2. Monthly cash (Adashe) contribution of the respondents

Monthly Cash Contribution (₦)	Frequency	Percentage
≤5,000	70	58.3
5,100-10,000	25	20.9
10,100-15,000	11	9.1
15,100-20,000	14	11.7

Source: Own calculation.

Table 3 result showed that the annual contribution (Adashe) ranged from ₦40,000 to ₦200,000 and had mean contribution of ₦91,1004.

Table 3. Annual cash (Adashe) contribution of the respondents

Annual Cash Contribution (₦)	Frequency	Percentage
≤40,000	14	11.7
41,000-80,000	57	47.5
81,000-120,000	25	20.8
121,000-160,000	3	2.5
161,000-200,000	21	17.5

Source: Own calculation.

The result showed the greater portion 57 (47.5%) of the respondents received ₦ 41,000-₦80,000 cash contribution excluding loan received by interested members.

LLIs gave loan to members as shown in Table 4. The mean loan disbursement is ₦3666.7 and only 28 respondents received loan based on interest and LLIs' financial capacity. The biggest loan amount disbursed to members by the associations was from ₦5,100 to ₦10,000.

Table 4. Loan disbursement by Local Level Institutions

Loan Disbursed (₦)	Frequency	Percentage
≤5,000	4	14.3
5,100-10,000	13	46.4
10,100-15,000	5	17.9
15,100-20,000	4	14.3
≥20,100	2	7.1

Source: Own calculation.

Table 5 revealed that local level institutions' microcredit delivered to respondents were used in the rural community; 40 (33.3%) was used for farm activity only, 40(33.3%) was used for farming and petty trade, 22(18.3%) was used for farming and building of house while 18(15%) was used for farming and education. Basic amenities in the community were mainly built by government only (66.7%) while 33.3% were jointly built by government and local level institutions. The sustenance and maintenance of these basic amenities are done by both government and the local level institutions.

Table 5. Uses of the microcredit by the respondents

Activity	Frequency	Percentage
Farm only	40	33.3
Farm and Petty trade	40	33.3
Farm and Built a house	22	18.3
Farm and Education	18	15
Built basic amenities	40	33.3
Maintaining basic amenities	120	100

Source: Own calculation.

Table 6 showed that the loan given to members were used for several purposes with greater percent (46.4%) used for burial and 32.1% used for health bill.

Table 6. Uses of the loan disbursed by LLIs

Activity	Frequency	Percentage
Health bill	9	32.1
Burial	13	46.4
Petty trade	1	3.6
Investment	1	3.6
Farm	4	14.3

Source: Own calculation.

Petty trade and investment took 1(3.6%) of the loan respectively and 4(14.3%) of the loan was used for farming activity.

Table 7 showed that 38 (28.30%) numbers of the respondents consumed all their produce, 68 (56.70%) consumed more-than 50% of their produce and 18 (15.0%) sold more-than 50% of their produce while none sold all. The quantity of the produce consumed are mainly used as: (i). production on a farm, (ii). Utilization such as seed purpose, home consumption, gift to friends and relatives and kind wages to labour and (iii). Losses due to spoilage.

Table 7. What the respondents do with their produce

WDP	Frequency	Percentage
Sold all	0.00	0.00
Consumed all	34.00	28.30
More-than 50% consumed	68.00	56.70
More-than 50% sold	18.00	15.00

Source: Own calculation.

The linear multiple regression in Table 8 with R^2 0.151 is very poor. This showed that 15.1% variation in the dependent variable (socio-economic activities proxied by the income generated by individual respondent) is explained by the explanatory variables (effect Local Level Institutions microcredit delivery) and the vectors of the rural farm households' characteristics of Girei and Yola south local government areas of Adamawa State, Nigeria. The significant level of 5% gives calculated F-stat of 1.45 which less-than the tabulated F-stat. This implies that the explanatory variables do not have significant influence on the dependent variable (i.e. economic activities). Holding the vectors of household characteristics constant, the co-efficient and the associated t-values of the components of the effect of the LLIs' microcredit used in the study indicates that the amount used as credit facilities for farm activities only, farm activities and petty trade and farm activities and built a house, farm activities and education, and loan given for petty trade have the expected signs with coefficients greater than zero with respect to aprior expectations. Statistically, only the credit used for farm activities and petty trade, farm activities and built a house and loan given for burial are statistically significant to the socio-economic activities of the rural farm households at 5% level of significant. transaction purposes, funds provided for housing and for combating diseases have the expected signs.

Table 8. Linear multiple regression of LLIs and economics activities of the rural farm households

Exp. variable	Coefficient	t-value	Sig	F-stat	R^2
Constant	25807.758	4.751	0.000	1.451	0.151
FAOFi	0.059	1.217	0.226		
FPTFi	0.086	1.923	0.057		
FBHFi	0.088	2.801	0.006		
FEDFi	0.063	1.251	0.214		
HBFi	-.473	-0.670	0.505		
Bfi	-.652	-2.227	0.028		
PTFi	0.061	0.076	0.940		
Ifi	-0.215	-0.657	0.512		
FAF	-0.493	-0.948	0.345		
GDRi	-2040.938	-0.559	0.577		
EDUi	3038.706	1.471	0.144		
OCCi	527.449	0.182	0.856		

Source: Own calculation.

The model above falls to be predicted by the independent variables so we decided to transform the variables hoping that bringing assumed linear relationship will predict the model well. The multiple regression models in Table 9, Table 10 and Table 11 fall to show that the variation in the dependent variable (socio-economic activities proxied by the income generated by individuals' respondent) is explained by the explanatory variables (effect Local Level Institutions microcredit delivery) and the vectors of the rural farm households' characteristics of Girei and Yola south local government areas of Adamawa State, Nigeria.

Although, an analysis of the effect LLIs' microcredit delivery on the level of output of the rural farm households had been to be positive and statistical significant in the level of output. The rural farm households have farming as the major source of livelihood, when the greater percent of the farm produce (marketable surplus) are been consumed while lesser percentage of the produce are sold (marketed surplus) it affects the income they generate.

However, some of these crops are regarded as commercial crops (marketed surplus) e.g.

groundnut, soy beans, sorghum etc. table 7 gives more reason the LLIs' microcredit facilities delivered to the rural farm households could not be explain the overall socio-economic activities proxied by income generated by individual respondent.

Table 9. Exponential multiple regression of LLIs and socio-economics activities of the rural farm households

Exp. variable	Coefficient	t-value	Sig	F-stat
Constant	10.231	80.464	0.000	1.203
FAOFi	1.470E-6	1.304	0.195	
FPTFi	1.960E-6	1.869	0.064	
FBHFi	1.866E-6	2.537	0.013	
FEDFi	1.521E-6	1.284	0.202	
HBFi	-9.788E-6	-0.592	0.555	
Bfi	-1.246E-5	-1.820	0.072	
PTFi	5.720E-6	0.301	0.764	
Ifi	-3.364E-6	-0.440	0.661	
FAF	-9.827E-6	-0.808	0.421	
GDRi	-0.004	-0.042	0.967	
EDUi	0.061	1.258	0.211	
OCCi	-0.014	-0.205	0.838	

Source: Own calculation.

Table 10. Semi-log multiple regression of LLIs and socio-economics activities of the rural farm households

Exp. variable	Coefficient	t-valve	Sig.	F-stat
(Constant)	3357.456	0.183	0.855	1.297
lnFAOFi1	1447.472	1.023	0.309	
lnFPTFi1	1485.988	1.064	0.290	
lnFBHFi1	2150.642	1.625	0.107	
lnFEDFi1	1516.530	1.080	0.282	
lnHBFi1	-529.364	-.755	0.452	
lnBfi1	-966.761	-1.840	.069	
lnPTFi1	-0.971	0.000	1.000	
lnIfi1	-895.896	-0.579	0.564	
lnFAF1	-708.386	-.801	0.425	
lnGDRi1	-1726.244	-0.326	0.745	
lnEDUi	4510.673	0.953	0.343	
lnOCCi1	3384.058	0.733	0.465	

Source: Own calculation

Table 11. Double-log multiple regression of LLI and socio-economics activities of the rural farm households

Exp. variable	Coeff.	t-value	Sig.	F-stat	R^2
(Constant)	9.625	22.487	0.000	1.129	0.122
lnFAOFi1	0.047	1.435	0.154		
lnFPTFi1	0.049	1.515	0.133		
lnFBHFi1	0.061	1.967	0.052		
lnFEDFi1	.050	1.542	0.126		
lnHBFi1	-0.012	-0.710	0.479		
lnBfi1	-0.017	-1.385	0.169		
lnPTFi1	0.011	0.275	0.784		
lnIfi1	-0.014	-0.392	0.696		
lnFAF1	-0.013	-0.632	0.529		
lnGDRi1	0.021	0.172	0.864		
lnEDUi	0.076	0.690	0.492		
lnOCCi1	0.041	0.382	0.703		

Source: Own calculation.

CONCLUSIONS

The 35 (37.5%) respondents were females. This shows that male headed farm households were more interested in membership of local level institutions and have the ability to form social capital than female headed households. Although women still find their way into several agricultural activities and LLIs showed that given every opportunity, lifting some restricted bans like religious bans that limits women in agriculture they can be of good help in food security and economy at large.

The farm produces were mainly consumed by the farmer instead of selling them to generate income as a sign of poverty among the rural farm households. This affected the result of the model of LLIs and socio-economics activities of the rural farm households. The reason for this result can be linked to the fact that majority of the rural farm households are too poor to make bigger cash contributions to the LLIs.

Therefore, the study recommended that government to formulate policies that will include the LLIs into the current food security programs and poverty alleviation programs and make it a channel for loan delivery. The implication of the policies will be targeted at improving the welfare of the rural farm households, their source of livelihood, income distribution (a typical income inequality) and gender inequality in agriculture.

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