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# **Rural Savings Mobilization Among Women: A Pancea For Poverty Reduction**

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## **Abstract**

Poverty alleviation among rural dwellers has remained a major challenge for both the developing world. This has become very relevant for the nations growth and development given the fact that majority of the poor reside in the rural areas and they are mostly women. Efforts to alleviate poverty in the rural areas have not yielded the expected results. This study therefore considered the effects of savings mobilization among women on poverty alleviation. This study, conducted in Oriade Local Government Area of Osun State., Nigeria, examined the effects of rural savings in major macro economic variables and poverty indices in the study area. Primary data was collected through the use of well structured questionnaire administered on two hundred randomly selected respondents. Data was also sourced from relevant text books and learned journals. Data was analysed with the aid of descriptive statics such as tables, percentages and frequency distributions. The major quantitative method used was the binary logistic regression model. Results showed that majority of the respondent are still in their economically active years and majority were educated. Also most the respondent invested savings in non-agricultural business. However, the propensity was low as about 60% of respondent did not invest mobilized savings. The logic model showed that rural savings have positive effects on the poverty indices indentified in the area. Such effects were mostly significant on variables such as nature of house, cooking method, health care facilities and income. Study also showed that 83% used the proceeds from investment to purchase assets such as land, vehicles and household electronics like radio and television. It is the submission of this study that rural savings is an indispensable means of alleviating in the study area. Hence, more women should be encouraged to save as much as possible and that such should be invested in productive ventures rather than in present consumption.

## **1. Introduction**

Devising effective policies for eradicating rural poverty has remained a major challenge for both the developed and developing worlds. The importance of eradicating rural poverty lies in the fact that the poor are majorly located in the rural areas and a high percentage are women and children. According to Dercon (2009) and Janvry et al (2002), poverty remains a predominantly rural area. With this, it will be practically impossible for any nation to develop if rural poverty is unattended to.

Rural poverty is often associated with extreme hunger, poor nutrition, with infant mortality, lack of access to portable water, modern health facilities and other basic infrastructures, poor education and high level of illiteracy. The rural areas are characterised by poor infrastructure that hinders development. The implication of this is poor mobility, poor accessibility to markets and communication. The poor suffers low status and social isolation. In such environment, there are few job opportunities outside agriculture. Hence, given the precarious nature of farming, people are face with food and income insecurity. Moreover, the poor lack access to capital markets and financial institution thus hindering their ability to obtain credit for the purchase of working capital. When accompanied with unemployment, poor accessibility to capital and credit perpetuates rural poverty (Jazairy et al, 1992).

In view of the above features of the rural areas, many governments have devised many policies to improve the situation of the poor. The millennium development goals (MDGs) of the year 2000 United Nations Millennium summit aimed at improving the lots of the world's poorest by 2015. The first of this goal was directed at eradicating extreme poverty and hunger with specific targets of reducing the proportion of people living in less than one dollar per day and also ensure full employment and descent work for all with special reference to women and children.

The Nigerian rural women like their counter part s in other countries are particularly disadvantaged by virtue of their being poor and being women. They face a higher risk of poverty, limited economic opportunities, cultural and policy biases (Haynic and Gorman, 1999). Women irrespective of cultures performed the multiple roles as mothers, wives, unpaid farm labourer, care givers, food processors and producers and petit traders. Despite all these, their activities are most times unrecognised and undervalued under the pretext that such activities are not such as economically productive (World survey, 2009, UNICEF, 2007).

To improve on the quality of life of the rural women, many programmes by the government and non-governmental organisation were put in place. Some of such include the Better Life for Rural Women, Programme (BLW), Family Economic Advancement Programme (FEAP) and Micro Credit for Women by the Country Women Association of Nigeria (COWAN). However, most government efforts have exerted little or no impact on rural poverty due to corruption and government ineptitude.

For some decades, savings mobilization has become a very important factor in sustainable development. Rural savings have become a back bone of rural development given that accessibility to the capital market and formal financial sectors is quite limited. Rural savings among women could be in different forms such important ones are rotating savings (Esusu), daily contribution (Ajo), cooperative thrifts and credit societies, However, some rural areas not too far from big cities have access to the formal financial sectors such as microfinance banks. Nevertheless, the informal sector has been found more effective than the formal financial sector.

The questions now are what is the linkage between rural savings mobilization and poverty reduction? Do women channel their mobilized savings to productive investment? And what are the effect of rural savings in the micro economics variables of women and the poverty indices in the study area. Hence this study examines the social economic variables of the respondent, the use of the mobilized savings and the effect of such savings on major macroeconomic and poverty indices of the respondents.

## **2. Literature Review**

Poverty has been defined severally in literatures .Examples include Dudley (1975), World Bank (1993), Anyanwu (1997), from various literatures, poverty is associated with deprivation in well being which could be related with low income, inability to acquire basic goods and necessary for survival and dignity. It is also related to poor education and health, inaccessibility to clean water, sanitation, lack of economic opportunities, lack of freedom, self esteem and other forms of social and psychological deprivation. Poverty is likened to a disease that eats a person's dignity and status like cancer. The poor has no voice, recognition and his advice is hardly sought, he is excluded from important decision making processes even when such has to do with him. Poverty has caused unfold

hardship for mankind hence it has been at the center of discussion by most countries either developed or less developed.

Rural poverty could be expressed as poverty found in the rural areas which include factors of rural society, rural economy and rural political system that give rise to the poverty found in such areas (Ravi and Anthony, 2005). In most countries of the world, rural communities tend to be disadvantaged relative to their urban counterparts and moreover, the more remote an area becomes, the higher the rate of poverty (Mosely & Miller, 2004, Miller et al 2002). The effects of poverty in the rural areas cannot be overemphasized. In a study of twenty-four African countries, Shan and Stifle (2003) showed that the standards of living in rural areas universally lag behind urban areas there is low school enrolments, lack of access to neonatal care, malnutrition, less access to health care and education.

Globally, the women folks are at the centre of poverty from Todaro and Smith (2006), women make up a substantial proportion of the rural poor. They are more likely to be poor, malnourished and less likely to have access to basic necessities of life. In Nigeria, Nigeria Bureau of Statistics (NBS, 2009) showed that 70% of Nigeria women are poor and majority of them live below the minimum poverty line. Studies have also shown that poverty among rural women can be attributed to lack of accessibility to land i.e. legal rights to land ownership, it is believed that legal measures to improve women's access to land is tantamount to achieving greater gender parity (World Survey, 2009). The right to land includes women separate tenancy rights and right to equal share of family land and resources when divorced, abandoned and widowed. However, for most countries, long standing social and cultural norms have contained to create bias in policy implementation.

One other major cause of poverty among rural women is lack of financial empowerment. One of the most crucial problems of the rural area is lack of rural credit facilities from the formal financial sector. On the other hand, credit facilities from the informal sectors are often accompanied by high interest rates thereby making investment unprofitable. This necessitates the need for rural savings mobilization among the rural women. Savings are of great importance in the developing world as it has direct bearing in the level of economic activities of the country. (Adeyemo and Banure, (2005). It is capable of improving income which is a major poverty index in the rural areas. The importance of the informal sector in rural savings mobilization cannot be overemphasized. Study by Ogunrinola (2005) showed that the substantial amount is mobilized monthly through informal savings mobilization. Fasoranti (2007) also showed that savings mobilization is positively related to investment, asset acquisition, human development and personal income in the rural areas.

### **3. Methodology**

#### **3.1. Sources and nature of Data, sampling method & sampling size**

The data was sourced from secondary and primary sources were learned journal and relevant textbooks while the primary sources were the use of the structured questionnaire administered on 200 randomly selected women in the study area. However only 1335 gave useful information used in the study. The data collected include income and savings measured by the number of years spent within a formal institution, age measured in years, accessibility to safe drinking water and health facilities, others were pattern of consumption, marital status, major occupation among others.

#### **3.2. Method of analysis**

The study employed qualitative and quantitative techniques of analysis. Qualitative method such as the use of tables, percentages and frequency distribution was used to explain the socio-economic characteristics of respondents. The quantitative technique employed was the logic binary regression analysis.

#### **3.3. Model Specification**

Binary logistic regression analysis was used to explain the effect of mobilized savings on specific poverty indices and macroeconomic variables of respondents. The logic model is as specified below

$$Y_i = J(\pi_i) \dots\dots\dots(1)$$

$$\pi_i = b_0 + \sum_{j=1}^n \beta_j X_{ji} \dots\dots\dots(2)$$

E  
Where:

$Y_i$  = observed response for the  $i^{th}$  observation (i.e. the binary variables,

$Y_i = 1$  for possession of savings and

$Y_i = 0$  for otherwise.

$I_i$  = underlying and observed stimulus index for the  $i^{th}$  observation. Conceptually if

$J_i < I_i$ , the rural woman is observed to have accrued savings but if  $I_i > J_i$ , the rural

Woman is observed not to have any savings.

$G$  = Functional relationship between the field observation ( $Y_i$ ) and the stimulus

Index ( $J_i$ ) which determines the probability of having accrued savings.

The logit model assumes the underlying stimulus index ( $I_i$ ) is a random variable that predicts the probability of having accrued savings. Hence for the  $i^{th}$  observation, the model is given as:

$I_i = \ln P \cdot b_0 + \sum_{j=1}^n b_j x_{ji} \dots (3)$

$1-p$

where  $P$  = the probability of  $i^{th}$  observation having access to mobilized savings

$X_i$  = vector of explanatory variables where linearized and simplified model becomes:

$\ln P = b_0 + b_1 X_1 + b_2 X_2 + b_3 X_3 + b_4 X_4 + b_5 X_5 + b_6 X_6 + b_7 X_7 + b_8 X_8 + b_9 X_9 + b_{10} X_{10} + u$

$P$  = Access to mobilized savings. (Access is dummied by 1 and non-access by 0)

$X_1$  = family size of respondents

$X_2$  = type of house

$X_3$  = nature of house

$X_4$  = house ownership status

$X_5$  = household feeding pattern

$X_6$  = Cooking methods

$X_7$  = Health care facility accessed

$X_8$  = source of light

$X_9$  = Type of school attended by respondents' children

$X_{10}$  = income level of respondents

$b_1 \dots b_{10}$  = parameters to be estimated

$b_0$  = constant

$U$  = random variable.

The a-priori expectation is that all the parameters should be positive i.e.  $b_1/b_2 \dots b_{10} > 0$

## 4. Empirical Analysis

### 4.1. Socio-economic characteristics of respondents.

Table-1.

	Variable	Frequency	Percentage
i.	<b>Age Distribution</b>		
	10 – 29 years	34	25.1
	30 – 49 years	85	63.0
	50 – 69 years	16	11.9
	Total	135	100.0
ii.	<b>Marital Status</b>		
	Single	42	31.1
	Married	93	68.9
	Total	135	100.0
iii.	<b>Educational Status</b>		
	Non-formal education	5	3.7
	Primary school	9	6.7
	Secondary	46	34.0
	NCE/OND	49	36.3

	HND/B.Sc	26	19.3
	Total	135	100.0
Iv	<b>Occupation</b>		
	None	2	1.5
	Government employed	70	51.8
	Self Employed	63	46.7

Table I. shows that the model age bracket is 30-49 years accounting for 63 percent of total respondents while age brackets 10-29 years and 50 – 69 years account for 25% and 11.9% of total respondents respectively. The implication of this distribution is that most women in the study area are still within the economically active years. Hence, they are likely going to have high propensity to save. The table also showed that majority (96.3%) of the respondents have the form of education or the other with 6.7%, 34.1% and 55.6% having primary, secondary and tertiary education respectively.

Furthermore, the table shows that 1.5% of respondents were not occupationally engaged while 98.5% were employed. This is expected to encourage the culture of savings among the respondents.

The table also showed that 68.9% and 31.1% were married and single respectively. Given this distribution, there is the possibility of increase in savings because of the high sense of reasonability towards their families.

#### 4.2. Savings Mobilization and its use in the study area.

There were four savings mechanisms in the study area as at the time of writing this report. These are the banking sector, Ajo, Esusu and Cooperative society. Study showed that 54.1%, 34.8%, 7.4% and 3.7% saved money through the bank, Ajo, Esusu and Cooperative society respectively.

The extent to which the savings by respondents are channelled into productive investment was examined through three major indicators namely number of women that invest savings, type of business and the amount invested. From Table 2 below, only 40.1% of total respondents invested their savings in business venture while 59.9% spent such on other things than productive investments. The implication is that the propensity to invest among the respondents was very low. Most often times, respondent spend their savings on children's school fees, ceremonies such as burials and children's wedding and other personal needs. Out of the people that invested accumulated savings, 15.6% invested in agriculture and agricultural related business while 33.3% invested in non-agricultural business. The high percentage in non-agricultural business is not unconnected with the fact that agriculture involves lots of risk and does not generate quick returns. Most respondents that reported investing their savings invested between N5,000 and N3,000 (23.7) while 11.1%, and 6% invested between N31,000 and N60,000 and over N60,000 respectively. The study also showed that 83% of total respondents used the proceeds from their business to purchase assets while the remaining 17% did not. Assets purchased include land, vehicle, television, radio, machines and other not specified. Land was mostly purchased by respondents as 21.5%.

**Table-2. Savings Utilization**

	Variable	Frequency	Percentage
a.	<b>Nos that Invest</b>		
	No	80	59.3
	Yes	55	40.7
b.	<b>Type of business</b>		
	None	69	51.1
	Agric business	21	15.6
	Non- Agric. Business	45	33.3
c.	<b>Amount Invested (N)</b>		
	None	80	59.3
	5,000 – 30,000	32	23.7
	31,000 – 60,000	15	11.1
	61,000 – 90,000	4	3.0
	Above – 90,000	4	3.0
	Total	135	100.0

Note that the respondents that reported to have business venture (Table 2a) differs from the number of people that claimed to invest savings in business venture (Table 2b). This may be due to the fact that some respondents engage in petit trading which by their own evaluation could not be regarded as a business venture indicated land as the assets purchased with the proceeds from their businesses.

#### 4.3. Effects of rural savings on respondents' major poverty indices

The effects of rural savings on selected poverty indices in the study area were analysed through the binary logit model. The results are presented in the table below:

**Table-3.** Logit regression estimates

Variable	Coefficient	T-Value	Marginal Efficiencies
Family size (x1)	0.0065	0.640	0.000000
Type of house (x2)	0.0046	0.127	0.000000
Nature of house (x3)	0.1811	6.170	0.000000
House ownership status (x4)	0.0789	1.828	0.000000
Household feeding pattern (x5)	0.0200	1.567	0.000000
Cooking patterns (x6)	0.0672	4.511	0.000000
Health care facility	0.0672	3.782	0.000000
Light source (x8)	0.0228	1.185	0.000000
School attended by children (x9)	0.0495	1.541	0.000000
Income level (x10)	0.0858	6.161	0.000000
Constant			0.000000

Log likelihood - 0.000  
 Restricted log likelihood - 82.039  
 Chi-squared 164.08  
 Degree of freedom - 9

Results showed that rural savings is positively related to all the poverty indices indentified in the study area. However, the nature of house, cooking pattern, health care facilities and income level are statically significant at 1% probability level while house ownership status and household feeding pattern are significant at 5% probability level. On the other hand, type of school attended by children of respondents was significant at 10% probability level. The implication here is that rural savings tend to improve the living standard of the women in the study area in terms of the poverty variables indentified by the study. However, the positive sign carried by family size is unexpected. Given that savings is disposable income less consumption, savings is expected to reduce as consumption expenditure increase. This is because family size is expected to vary directly with consumption expenditure. The probable reason for the positive sign could be that most members of the family are income earners and so there is low dependency ratio or that the respondents are not family-heads.

#### 4.4 Results of the Tests of Hypothesis

Two hypotheses were specified for the study Ho1: that rural savings has no significant effect on poverty indices of respondents. Such as family feeding pattern, type of school attended by children and house ownership status.

**Ho2:** that savings mobilization has no significant effect on respondents' macro economic variables such as income and savings.

The results as presented in the table indicated that there is significant relationship between savings and type of school attended by respondents children and their hose ownership status (Table 4).

Also in table 5, results showed that savings mobilization significantly affected the level of income while savings was not significantly affected in the study area.

**Table-4.** Results of the test of hypothesis (HO1)

<b>Rural Savings</b>					
<b>Poverty indices</b>	<b>95% confidence interval</b>				
	<b>Mean</b>		<b>df</b>	<b>T</b>	<b>Significant Value</b>
Feeding pattern	- 0.178		134	- 1.981	0.050
Type of school	- 0.637		134	- 11.134	0.000
House Ownership	- 1.548		134	- -27.475	0.000

**Table-5.** Results of the test of Hypothesis (Ho2)

<b>Savings Mobilization</b>					
<b>Macro economies Variables</b>	<b>95% confidence interval</b>				
	<b>Mean</b>		<b>df</b>	<b>T</b>	<b>Significant Value</b>
Income	0.652		134	- 7.982	0.000
Amount of savings	- 0.185		134	- 2.133	0.035

## 5. Summary, Conclusion and Recommendation.

The study examined how rural savings mobilization can serve as a panacea for poverty alleviation among rural women. The study was conducted in Ikeji-Arakeji in Oriade Local Government area of Osun State. Data was sourced from both secondary and primary sources. Literature reviewed. Simple random sampling method was used to source information in relevant variable from 200 women in the study area. The information collected was analysed through descriptive (tables, percentages and frequency distribution) and quantitative (simple binary logistic modes) methods.

Results showed age bracket 30-49 years as the modal age group implying that most people in the study area are still in their economic active years, hence a high propensity to save speculated for the study area. Study also revealed that most respondents possessed one level of education or the other while 55% have obtained tertiary education. Study furthermore revealed that 40% invested the mobilized savings in business ventures while 59.9% did not. This showed that the propensity to invest is very low as most people spent their savings on other things other than productive investment.

Most of the respondents invested in non-agricultural business. Moreover, 83% used the proceeds from their investments to purchase assets such as land, household electronics such as radio, television and vehicles. The logit models showed that rural savings have positive effects on the poverty indices of respondents; such effects are mostly significant on nature of house, cooking pattern, health care facilities and income level. The hypothesis tested confirmed significant relationship between savings and schools attended by children and house ownership status. Moreover, savings mobilization has helped to increase the income of women in the study area.

This study therefore submits that rural savings mobilization is an indispensable means of alleviating poverty in the study area. To this end, more women should be encouraged to save as much as be invested in productive ventures rather than on present consumption. The relevant bodies should also embark on sensitization programmes to enlighten the women on the possibilities of improving their quality of life through regular savings which will be eventually invested in productive ventures.

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