Research Article

Determinants of Savings and Investment Patterns of Cassava Farmers in Awka-North Local Government Area of Anambra State Nigeria

Ibezim (Uchenu), Chimezie Adamma PhD[1], Ilouno Emeka Ekpelu[2] & Ofoegbu, Meltus Ibezim[3]

[1]Department of Accountancy, Anambra State Polytechnic, Mgbakwu
[2]School of Agricultural Technology, Anambra State Polytechnic, Mgbakwu
[3]Department of Economic, University of Nigeria Nsukka

Abstract

The study was carried out In Awka –North L.G.A Of Anambra State, Nigeria. A multi-stage random sampling technique was used to select 144 cassava farmers. Primary data was collected with the use of structured questionnaire. Data was analyzed with the aid of descriptive statistics and inferential statistics. Findings showed that cassava farmers save and invest mainly for the purchase of improved varieties and species, agrochemicals and herbicides. Informal method of saving which involved saving through Isusu and money lending were the most identified ways of saving among the cassava farmers in the study area. Also, the knowledge of incentive for sufficient returns, advice received from friends and colleagues, risk of capital loss, and a place to retire were the influencing factors to savings and investment in the area. Based on the findings, the study concluded that there was a high propensity to save and invest among cassava farmers in Awka- North L.G.A of Anambra State.

Keywords: Cassava Farmers; Savings And Investment Patterns; Improved Varieties; Money Lending

Introduction

Agriculture in Nigeria is practiced at subsistent level and is characterized by numerous farmers operating several scattered small and fragmented plots of land using traditional methods such as land rotation, bush burning and crude implements (Odoemenem *et al*, 2013). According to Oluwepo, (2010), majority of the rural populace in Nigeria either depend entirely on farming and farming activities for survival and generation of income, or depend on other non-farming activities to supplement their main sources of income. The validity of this statement becomes evident when it is realized that over 90.0% of the country's local food production comes from small farms which are usually not more than 10 hectares in size, while at least 60.0% of the population earn their living from these small farms. It could then be seen that most farmers have limited resources, a factor that limits their production output, income, savings and investment.

Savings is a common word used by individuals on daily basis. It simply means putting something aside for future use or what will be considered as deferred expenditure (Amu and Amu, 2012). Savings are very imperative for supporting and developing rural enterprises, improving well-being, insuring against times of shocks, and providing a buffer to help people cope in times of crisis (Rutherford, 1999; Zeller and Sharma,2000). Households' savings play an important role in the economic development of both developed and developing nations, due to its significant influence on the circular flow of income in the economy (Iyoha *et al.*, 2003).

Savings may be made in kind such as jewelry, land or livestock. It may be in the form of currency notes deposited in banks or more often hoarded. Savings provide several benefits for farm households. The sustenance of household savings increases the possibility of future investment both at the micro and macro- levels in the economy. Directly, savings could be used for investment. Indirectly, savings indicates repayment ability, also increase credit rating and as collateral in a credit market (Brata, 1999). Savings is both a risk management strategy and determinant of magnitude of investment. Investments are being made in agriculture to improve the quality of rural assets and enhance productivity. The ability, willingness and opportunity of households to save and invest over time can therefore significantly

influence the rate and sustainability of capital accumulation and economic growth in developing countries (Oluwakemi, 2012). According to Ajayi (1998) investment could be considered as an act of laying out money now in return for a future financial reward or the sacrifice of something now for the prospect of later benefits. The reward in this context may be received in the form of an income flow or by the receipt of a single capital sum or a combination of both. Over the years, many farmers in Nigeria have increasingly not been able to invest adequately on their farming activities. They have as such resulted to forming cooperative movements to achieve a common goal through democratically controlled business organizations. The most important economic obligation of members of the cooperative society is savings. Farmers save a specified amount of money daily, weekly, monthly or quarterly as it is convenient for the group and the individuals. This type of savings is important for agricultural production, because it allows farmers or members' access to credit at the onset of the farming season which could boost farm production and income of the farmers. Odoemenem *et al.*, (2013) were of the view that small scale farmers invest their savings in two major areas. These are the agricultural and non-agricultural sectors. Investment in the agricultural sector or farm activity includes the purchase of fertilizer and chemicals, hired labour and buying more land for farming. While investment in nonagricultural sector are mainly centered on education, trade expansion, building houses, dowry obligation, and purchase of durable assets.

Problem Statement

One of the basic problems confronting the development of agricultural sector in Nigeria could be attributed to inadequate savings, income and investment by the small-scale farmers. Despite this problem, policy makers have not really drawn up adequate and comprehensive rural savings scheme that will motivate the farmers to invest their capital productively (Odoemenem *et al.*, 2013; Sunday *et al.*, 2011). According to Shitu (2012) capital accumulation is a major prerequisite of economic development and if the volume of savings is inadequate to meet investment requirements, major bottlenecks are likely to develop in the process of capital formation and the drive for development. The volume of investment has been found to depend on income, cost of procuring investible funds and entrepreneur's expectations on the trend of the business in future. It is against this back drop that this study was conceived, to determine the savings and investment patterns of cassava farmers in Awka-North, Local Government Area of Anambra State, Nigeria.

Objectives of the Study

The main objective of this study is to determine the savings and investment patterns of cassava farmers in Awka-North Local Government Area of Anambra State. Specifically, the study will:

1. Describe socioeconomic characteristics of cassava farmers in the study area;
2. Examine various savings and investment patterns of cassava farmers in the study area;
3. Determine factors influencing savings and investment of cassava farmers in the study area;
4. Identify constraints that militate against savings and investment of cassava farmers in the study area

Review of Related Literature

The Concept of Savings

Keynesian economics, defined savings as the amount left over when the cost of a person's consumer expenditure is subtracted from the amount of disposable income that he or she earns in a given period of time. Savings is also the portion of disposable income not spent on consumption of consumer goods but accumulated or invested directly in capital equipment or in paying off a home mortgage, or indirectly through purchase of securities. Savings is normally considered in economics as disposable income minus personal consumption expenditure. In other words, it is regarded as income that is not consumed by immediately buying goods and services. This clearly indicates that savings is closely related to investment. By not using income generated to buy consumer goods and services, it is most likely for a resource to be invested so as to use it to produce tangible and intangible capitals. Saving can therefore be vital in increasing the amount of capital available. Increase saving is necessary but not a sufficient condition for investment. Saving undeniably therefore, is a strategic variable the economy as posited by renowned economist like Adam Smith and David Ricardo. According to Bime in Nwibo and Mbam (2013) savings go beyond capital formation to being a catalyst for capital formation and a major determinant of the

cost of credits based on the law of scarcity which holds that "when the former is low and scarce, it becomes more costly to obtain" The role of savings in economic development is very important and it can be described as a driving force necessary for economic growth and development. Savings habit of a person is measured by his or her marginal propensity to save which in turn is determined by a number of factors. According to a World Bank report of 1995, households in developing countries save an average of 13% of the Gross National Product (GNP) and invest 6% of it thereby, leaving a savings surplus of 9% of the GNP. On the other hand, businesses save about 7% of GNP but invest more than 15% of the GNP. The report further concludes that households as a group, finances all their investment from savings while businesses finance 45% of their investment through borrowed funds.

The Concept of Investment

In finance, investment is the purchase of a financial product or other items of value with an expectation of favorable future returns. In general terms, investment means the use of money in the hope of making more money. Keynes (2007) defined investment as the production of new capital goods, plants and equipment's. He also refers investment as real investment and not financial investment. Investment is a conscious act of an individual or any entity that involves deployment of money (cash) in securities or assets issued by any financial institution with a view to obtain the target returns over a specified period of time. Investment could be considered as an act of laying out money now in return for a future financial reward or the sacrifice of something now for the prospect of later benefits (Ajayi in Osondu, Ogbonna and Obike, 2015)

Theoretical Framework

Two savings, investment and growth theories namely; neoclassical theory of savings and investment and endogenous growth theory will be used to explain the impact of savings and investment.

Neoclassical Theory of Savings and Investment

Neoclassical Economics is the name given to an economic theory that was developed at the end of the 19th and the beginning of the 20th Century in Europe. The main contributors to this theory were Léon Walras (1834-1910), Alfred Marshall (1842-1924) and Vilfredo Pareto (1848-1923). The issue that neoclassical economists dealt with was the distribution of power between industrialists and workers so as to ensure proper savings and investment. Neoclassical theory of savings and investment are today a matter of intense concern to millions of people around the world. The most basic questions people faces are: How much of their income should they save for the future? What risks should they insure against? How should they invest what they save? This theory believed that since consumption is a function of disposable income, and savings is income not spent while investment is the income spent. This means that savings and investment are also a function of disposable income. This theory states that savings determine investment and is concerned primarily with market equilibrium and economic growth at full employment instead of with the under-employment of resources.

Endogenous Growth Theory

This study will also be anchored on Endogenous theory propounded by Pagano (1993). The theory captures the potential effects of savings and investment on economic growth as a linear function of capital accumulation. The theory assumes that efficient financial sector might affect economic growth through three channels namely: reduction in transaction costs and channeling of increased savings to firms for productive investments, improving the allocation of capital and rate of savings. The two theoretical frameworks are very essential because they offer useful explanations on how savings and investment affect economic growth in Nigeria. Neoclassical theory of savings and investment theory explains how savings and investment determine the level of economic growth. The endogenous growth theory offers useful link through which accumulated savings are channeled to productive investments (through lending activities) for economic growth. All these attributes of the theories make them useful for this present study.

Methodology

The study was carried out in Awka North Local Government Area (L.G.A.) of Anambra State. The area is made up of 10 communities which comprised of Mgbakwu, Amanuke, Urum, Isuaniocha, Amansea, Achalla. Ebenebe, Awba-Ofemili, Ugbenu and Ugbene. It is geographically located within latitude 6.3333 or 6'20 north, longitude 7' east and has an area of 134.2sq mi (347.5 km2). The population of the area is 159,900. The people of the area are mainly of *Ibo* extraction. The annual rainfall ranges from 1505mm to 2033mm with marked wet and dry seasons. The mean temperature is about 300c between the months of November to February. The soil is sandy loam which is very conducive for the growth of crops. A multi-stage random sampling technique was used in the selection of respondents. First, five (5) communities out of ten (10) communities in the L.G.A. were randomly selected. The second stage involved the random selection of four (4) villages from the randomly selected communities to give a total of 20 (twenty villages). The last stage involved the random selection of six cassava farming households each from the randomly selected twenty-four villages to give a total of 144 farming households. Data were collected primarily from the randomly selected cassava farming households using structured questionnaires. Both descriptive and inferential statistics were employed in data analysis. Specifically, the description of the socio-economic, characteristics of cassava farming households; examination of various savings and investment patterns of cassava farmers in the study were achieved using descriptive statistics of tables, frequencies, percentages, means, Principal Component Factor analysis was used to realize both the factors that influenced savings and investments behaviour among cassava farmers and constraints militating against savings and investment capacity of the cassava farmers.

Results and Discussions

Socio Economic Characteristics of Cassava Farmers

The distribution of the respondents according to gender is shown in Table 1. The table reveals a greater proportion of cassava farmers (70.0%) in the study area were females while 30.0% were males. This showed that females in Awka-North engaged in farming more than males in the area.

The table shows that 20.83% of the farmers were within the age range of 31 to 40 years, while 31.25% were between 41 to 50 years. The mean age of the farmers was 49 years. This indicates that the cassava farmers in the study area still young and active. The table also shows that a good proportion (56.25%) of the cassava farmers in the study area were married while 9.72 % of them were single. Also, 30% and 5 % of them were widowed and divorced respectively. This therefore showed that the married people were more involved in providing for their families.

The table reveals that a good proportion (59.02%) of the cassava farmers had household sizes of between 1 to 4 persons, while 34.02% and 10.41% of them had 5 to 8 and 9 to 12 persons respectively. The mean household size was 4.13 persons. This result indicates that the cassava farmers in the study area had moderate family sizes. This is could be due to hardship and economic situation of the country.

The table showed that 48.61% of the farmers had secondary school education while 12.5% of them had no formal education. However, 87.5% of the farmers in the study area were literate with divers' formal educational levels ranging from primary school education to tertiary education. Possession of literacy (ability to read and write) would enable the farmers to manage effectively and efficiently all available resources in their hands and improve technology adoption which will increase farm income.

Table 1 further shows that 72.50% of the respondents were primarily engaged in farming while

14.17% of them were petty traders. Also, 5.0% and 8.83% of the respondents were civil service and artisans respectively. The predominance of farming in the areas explains why over 90% of cassava produced in the state comes from the local government.

The distribution of the cassava farmers according to farm size is shown in Table 1. The table showed that 27.08% of the cassava farmers had farm size of less than 1 hectare, while a good proportion (55.55%) of them had farm land of between 1 and 2 hectares. The mean farm size of the respondents is 1.49 hectares.

Table 1: Socio-economics characteristics of Cassava Farmers

Variables	Frequency	Percentage
Gender		
Male	43.2	30.0
Female	100.8	70.0
Age		
21-30	19	13.19
31-40	30	20.83
41-50	45	31.25
51-60	28	19.44
61 and above	22	15.28
Mean	49	
Marital status		
Single	14	9.72
Married	81	56.25
Widowed	44	30.56
Divorced	5	3.47
House hold Size		
1-4	85	59.02
5-8	49	34.02
19-12	15	10.41
Mean	4.13	
Educational Level		
No formal Education	18	12.5
Primary Educational	27	18.75
Secondary Education	75	48.61
Tertiary Education	24	16.66
Farm Size		
<1	39	27.08
1-2	80	55.55
3-4	25	17.36
Mean		
Total	144	100.00

Source: Field Survey, 2024

Savings and investment patterns of cassava farmers in Awka –North

Pattern of Saving by Farming Households

Analysis of the saving pattern of the cassava farmers in Awka- North L.G.A. as shown in Table 2 revealed that informal method of saving was the most of prevalent way of saving among the farming households (64.38%). The identified informal ways of saving among the households were: *Isusu* (rotational contribution), money lending, religious groups, friends and relatives, and occupational groups. However, the result showed that among the informal credit institutions, rotational monthly contribution known as *Isusu* in southeast Nigeria and money lending were the major ways through which the cassava farmers save their money. The policy of *Isusu* is based on the monthly collection of fixed amount of money from member contributors and loaning out the money to members on low interest rate (mostly 5%) and higher interest rate to non-members (mostly 10%). At the end of the financial year, both the accrued interest paid and the principal contributions will be shared among members. This finding was in line with the findings of Nwibo and Mbam (2013) that farmers make use of informal financial sectors to mobilize savings and develop their rural communities because it gives them access to loans that they cannot get from formal financial institutions due to lack of collateral. Meanwhile, farming households that save through formal credit institutions, preferably save through microfinance banks. This finding is justified on

the ground that most farmers fear to save in formal financial institutions because of the bureaucracy involved in withdrawing the money back, and the higher interest rates.

Table 2: Percentage Distribution of the Respondents According to Pattern of Savings of the Cassava Farmers in the Study Area

Saving Institutions	Frequency (n=144)	Pattern of Saving	Frequency (n=144)	Percentage (%)
Formal	51 (35.41)	Conventional banks	9	6.25
		Microfinance Banks	12	8.33
		NACRDB	14	9.72
		Mobile bankers	10	6.94
		Registered cooperative society	6	4.16
Informal	93 (64.58)	Isusu (Rotational contribution)	30	20.83
		Money lending	28	19.44
		Religious groups	9	6.25
		Friends and relatives	12	8.33
		Occupational groups	14	9.72

Source: Field Survey 2024

Cassava Farmers' Investment Areas

The analysis of the investment behaviour of the farming households as shown in Table 3 showed that about 49.9%and 55.00% of the farmers invested most of their saved income in purchase of improved varieties and species respectively. Meanwhile, 24.17%, 25.00% and 27.50% invested in herbicides, agrochemical and farm machineries respectively. This finding implied that despite the earlier finding that the cassava farmers do not possess adequate higher degrees, the farmers are innovative, capable adopting new technologies hence their savings and investment of their recourses on improved varieties and species that will aid in increasing their productivity and general wellbeing.

Table 3: Percentage Distribution of the Respondents According to Areas of Investment in Agriculture in the Study Area

Areas of Investment	Frequency (n=144)	Percentage (%)
Investment in farm building	15	33.35
Investment in herbicides	14	23.50
Investment in purchase of improved varieties	20	49.90
Investment in purchase of improved species	15	55.00
Investment in labour	30	34.99
Investment in machinery	16	28.50
Investment in agricultural land	10	42.67
Investment in fertilizers	11	44.83
Investment in other areas	10	41.83
Investment in non-agricultural sector	8	6.83

Factors Influencing Saving and Investment Behaviour of Cassava Farmers in Awka North

Cassava farmers' saving and investment behaviour is largely influenced by several variables' factors. Using Varimax Principal Component analysis with Kaiser's rule of thumb of 0.5 as a minimum point a factor will load before it can be accepted as having effect, the study identified incentive for sufficient returns, advice received, lack/absence of risk of capital loss, and a place to retire as the influencing factors to saving and investment in Awka- North Local Government Area of Anambra State, Nigeria.

Incentive for sufficient returns has been identified as being one of the influencing factors to savings and investment in the area. This finding justified the fact that farming households are becoming enterprising, thus diversifying to areas that will bring about increased income for the household and improve their wellbeing (Nwibo and Mbam,2013). The study further observed that advice people got from others positively affect the saving behaviours of Cassava farming. Advices such as potential investment areas,

benefits derivable from investment, inherent dangers of not saving and investing can influence farming households to save and invest. Savings can be for immediate or future benefits.

Having a place where one can retire to after years of service has been identified by the study as one the strong catalysts that influence savings and investment among farming households in the area. This finding was justified as retirement is believed to be the last stage of live and as such a farmer will be pleased to save and invest so as to maintain the already established standard of living.

Risk of capital loss can positively or negatively influence savings and investment behavior among farming households. This study on this note has identified that lack or absence of investment capital loss as one the factors that influenced farming households to investment.

Table 5: Factors Influencing Saving and Investment Behaviour of Farming Households

Variable Names	Factor Loading
Incentive of sufficient returns	0.726
Risk of capital loss	0.306
A place to retire	0.440
Establish diversified venture	0.227
Availability of accessible roads	0.062
Advice received	0.707

Conclusion and Recommendations

From the finding of the study, it was concluded that the cassava farmers in the study areas have high propensity to save and invest households and that age, educational level, household size, farming experience, and household income had significant effect on the capacity to save and invest. The following recommendations were made for both cassava farmers and policy makers: proper enlightenments programme, geared towards the education of the farmers should be given to cassava farmers as way of exposing them to the importance of savings and investment. Medium- and long-term loans should be provided by the government and other bodies to farmers in order to boost their income level, only then can the savings being accumulated be transformed into productive investment that will enhance or uplift their present standard of living and the extension of micro credit to farmers on time as a way of helping them to boost production which invariably will make farmers to have surplus for savings and investment

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