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Original Research Article

Financial Dualism and Rural Income Earners in Port Harcourt City Local Government Area, Rivers State, Nigeria

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Abstract

This study examined the effects of financial dualism on rural low income earners in Port Harcourt city Local government area in Rivers State. The purpose was to examine the relationship between financial dualism and rural low income earners. Questionnaire was administered to 200 respondents sampled from residence of the local government. Four research questions and null hypotheses were formulated to study the effect of financial dualism on rural low income earners. Financial dualism was proxied by commercial banks operations, microfinance banks, thrift association and local money lenders. Simple percentages and spearman rank correlation coefficient was used as data analysis methods. The study found a correlation coefficient of 21.9 percent between commercial banks and rural low income earners, 59.3 percent between microfinance banks and rural low income earners, 83.7 percent between thrift associations and rural low income earners and 59.9% between local money lender and rural low income earners in Port Harcourt. from the findings, the study conclude that commercial banks have no significant effect on rural low income earners while microfinance banks, thrift association and local money lenders have significant effect on rural low income earners in port Harcourt city local government area. it recommend that Policies such as rural banking scheme, branch banking and commercial banks reform should be directed towards increasing financial access of rural low income earners in Nigeria. The operational efficiency of the microfinance institution should further be strengthened; existing challenges should be eliminated by the regulatory authorities and management to enhance its function in increasing financial access to rural low income earners and there should be law to strengthen the operational functions of the informal financial institutions, this will increase the operational efficiency and further give access to financial services to rural low income earners.

Keywords: Financial Dualism, Rural Income Earners, Port Harcourt City Local Government Area, Rivers State, Nigeria

INTRODUCTION

The financial system includes all financial intermediaries that operate in the financial sector in the economy. The Nigerian financial system consists of the formal sector such as bank and non-bank financial institutions and the informal sector such as savings and loan association, local money lenders. A sound financial system is critical to economic growth. It enhances economic performance of the players by improving the overall welfare of the people. The financial system provides a platform for financial infrastructure to help allocate resources to individuals/units that are potentially more productive, to invest those resources (Nzota, 2008).

Financial dualism leads to the existence of different interest rates in the organized and unorganized money markets in such economies. The rate of interest in the organized money market in the traditional sector is much higher than that in the organized money market in the modern sector. The unorganized money market consisting of the non-institutional lenders, such as the village moneylenders, landlords, shopkeepers, traders or the combination of some of them, charge very high interest rates on loans (Anyanwu, 2010).

The informal sector covers a wide range of market activities. First, the informal sector is formed by the coping behavior of individuals and families in an environment in which earning opportunities are limited. Second, the informal sector is a product of rational behavior of entrepreneurs that desire to avoid state regulations, which simply means they operate outside the regulatory purview of the government (Anyanwu, 2010). The informal sector engages in activities which are not easily measured and it cuts across a wide range of areas of informality environmental, spatial, economic, and social, covering business activities, employment, markets, settlements, and neighborhoods. These activities include casual jobs, subsistence agriculture and unpaid jobs. Each of these areas has implications for public policy formulation and implementation.

Conceptually, low income earners primarily comprised of lower-level citizens, white-collar workers. These workers are typically not educated and lack the graduate degrees needed to advance to higher levels of employment, or have a degree but remain unemployed but manage to put food on its table. Income for these workers generally falls between N160, 500 and N200, 000 (Akani and Lucky, 2020). This category is trapped in the poverty rate of 69% of the total population.

According to Nigeria Bureau of Statistics report 2018, inequality in Nigeria worsened between 2004 and 2013 but improved in 2016 using either the gini coefficient or the Inequality as measured by the Gini worsened from 0.356 in 2004 to 0.41 in 2013 but improves to 0.391 in 2016. Using the, inequality worsened from 0.217 in 2003 to 0.395 in 2013 but improved to 0.31 in 2016. With respect to consumption shares (and using consumption as a proxy for income), in 2004, the bottom 10% (poorest of the poor) of the population consumed 2.56% of goods and services, while the top 10% (super rich) consumed 26.59% of all goods and services (Lucky and Sam, 2019).

The richest 10% was responsible for 26.59% of national expenditure or income in 2016. This increased to 33.72% in 2013 but decreased to 31.09% in 2016. The top 20% were responsible for 42.40% of national income/expenditure in 2004. This increased to 48.28% in 2013 but declined to 46.63% in 2016. While no agreed standard definition of the Nigerian middle class exists, for the purpose of this report we have classified decile 01-03 as the lower class, decile 04-07 as the middle class and decile 08-10 as the upper class. Accordingly, the upper class was responsible for 58.39% of national income/expenditure down from 59.42% in 2013.

Financial welfare of low-income earners has been a longstanding issue for policy makers. The Central Bank of Nigeria (CBN) introduced a microfinance policy framework to enhance the access of micro-entrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth. The rationale was that no inclusive growth can be achieved without improving access of this segment of the economic strata to factors of production, especially financial services.

However, there are various strands of studies on financial sector on the economy; some studies examined the effect of financial dualism, most of the studies focused on the effect of financial dualism and economic growth. Mukhopadhyay and Pradhan (2010) examined the causal relationship between financial dualism and economic growth of 7 Asian developing countries, Kayode et al (2010) investigated the effect of bank lending and economic growth on the manufacturing output in Nigeria. Mishra et al (2009) examined the direction of causality that runs between credit market development and the economic growth in India for the period 1980 to 2008 while Chang et al (2018) used branch panel data to examine bank fund reallocation and economic growth in China and found a positive association between bank deposits and growth. The above study does not consider the coexistence of the formal and the informal financial sector and its effect on the rural income earners. From the above knowledge gap, this study wants to examine the effect of financial dualism and low income earners in rural area in Port Harcourt.

LITERATURE REVIEW

Financial Dualism

Financial dualism means the coexistence of organized and unorganized money market in the less developed countries. The organized money market consists of the central bank, the commercial banks, the cooperative societies and banks, the foreign banks, and other financial institutions like agricultural finance corporation, industrial finance corporation, the insurance companies and the development banks. The unorganized money market includes indigenous bankers, moneylenders, both professional and non-professional, traders, merchants, landlords, friends and relatives.

Financial dualism leads to the existence of different interest rates in the organised and unorganized money markets in such economies. The rate of interest in the organised money market in the traditional sector is much higher than that in the organised money market in the modern sector (Iganiga and Asemota, 2008). The unorganized money market consisting of the non-institutional lenders, such as the village moneylenders, landlords, shopkeepers, traders or the combination of some of them, charge very high interest rates on loans. The main reason is that there is a real shortage of savings in the traditional sector as substantial amount of savings is hoarded in gold and jewellery. Even though risks and costs of lending money to a large number of small borrowers are very high, yet there are other contributory factors arising from imperfections in this unorganised money market. The village shopkeepers, landlords, moneylenders and traders occupy strategic positions in the village economy and create monopoly powers over the peasants.

Informal Financial Market

The informal financial market has been described as unorganized money market and non-institutional financial market by Wai (1957) and Chandarvakar (1985) respectively. Aryeetey (1995) attempts an all-embracing working definition of informal finance transactions outside the functional scope of various countries' banking and other financial regulations that include a wide range of financial activities whose scope of operations may differ from country to country". Thus, depending on the socio-economic goals of communities, informal arrangements are developed to meet the demand of specific financial services. The multiplicity of arrangements defies simple classification, and it is very unusual to find substantial number of the arrangement that is identical, which is a confirmation of the flexibility and creativity involved in informal finance. In general, three broad classifications of informal finance are found in Africa. These include primary savings mobilization units with little or no lending; primary lending units that are hardly involved in savings mobilization; and units that mobilize deposits and do a considerable amount of lending albeit to members of distinct associations or groups such as: savings collectors and money keepers, commercial lenders (money lenders), friends, family and non-commercial lenders, self-help financial groups that include different levels of savings and credit rotating ones and licensed cooperative societies or unions. These are "esusu" groups/clubs which are known in the literature of informal finance as Rotating Saving and Credit Association (ROSCAs). They are the most basic forms of "esusu", which combines savings and credit arrangements including regular fixed amount of contribution to a common pool of funds by members in turn. Orders of receiving the amounts are decided by negotiation, lottery or any other agreed arrangements/modalities.

The Concept of Informal Financial Institutions

The concept of informal financial institutions has been defined by variously by researchers and thinkers. According to Aryeetey (1995) Informal Financial Institutions (IFI's) could be conceptualized as those institutions that embrace all financial transactions that takes place beyond the functional scope of various countries and other financial sector regulation. These institutions are not controlled directly through major monetary and financial policy instruments but are created by individuals and groups with no legal status. To Chipeta and Nkandawaivr (1991) IFI's refers to institutions that are not directly amendable to control by key monetary and financial policy instruments. In the contention of Bouman (1988) informal financial institutions are institutions that carry out contract or agreement conducted without reference or recourse to the legal system to exchange cash and present for promise of cash in future. These institutions emanate from the grassroots, bottom up demand of the poor for an appropriate financial service. In this study Informal Financial Institutions could be defined as those associations that substitute formal financial institutions, facilitating savings and ensuring easy access to credit to members and operating without direct control of the governmental financial authorities.

Historical Evolution of Informal Finance

Two schools of thoughts have engaged in the debate concerning the historical evolution of informal finance. These are the Financial Repression School (FRS) and the Neo-structural School (NSS). These schools of thought were developed from the seminar works of McKinnon (1973) and Shaw (1973). They theorized that the defining features of under-development are fragmentation, that is, situations in which financial agents face different prices and do not have access to the same technology. They found that the immediate cause of this fragmentation is government policy designed to favour certain activities or certain classes of agents at the expense of others.

McKinnon (1973) perceived self-financing to be the rule in many low-income countries because financial intermediation is inadequate. This proposition implies that there is no one to intermediate between savers and those with profitable investment opportunities. McKinnon-Shaw school discovers that administratively imposed ceilings on interest rates and strict collateral requirements force formal financial institutions (banks) to concentrate their portfolios on safe, low-yielding assets. This school's proposition also found that large reserve requirements imposed with the consequence to shift in the allocation of investible funds from the formal financial market to the government, thus reducing the flow of funds into banks while also creating excess demand for credit at official rates. Their summary is that the financial repression school acknowledges the emergence of informal financial markets to fill the credit gap and serve as an alternative vehicle for saving and sourcing of credit. An alternative perspective of developing country financial market is provided by the Neo-Structuralists school. Though the existence of informal credit markets is acknowledged in the McKinnon Shaw analysis, they are perceived as inefficient, limited in scope, and not central to the transmission of shocks from the financial to the real sector.

The Informal Capital Market in Nigeria

Although the existence of informal finance units in Nigeria has long been known, the sector has not been featured prominently in research on economic policy issues. The activities of this market are mostly unofficial, underground, informal, irregular, shadowy and parallel but they play important roles in the economy (UNDP, 1997). The sector complement the formal sector because they equally engage in mobilization process and lending of fund particularly among those that are not accessible to the formal financial market and those that find their requirement too cumbersome to complied with.

Rotating Savings and Credit Associations

It is the most accepted and practiced informal financial institution. It is commonly referred to as 'Partners', 'Susu', and 'Isusu' in the West indies and 'Esusu', 'Susu', 'Dashi' and 'Awiko' in various parts of Nigeria. Among the Yoruba, it is called 'Esusu'. Among the Igbo, it is 'Isusu' or 'Utu' while the Edo calls it 'Osusu'. Hausa calls it 'Adashi', the Nupe 'Dashi', the Ibibio 'Etibe' while the Kalabari calls it 'Oku' (Miller, 1977). The institution brings together group of people for the purpose of saving, through the contribution of fixed amount of money on fixed daysof the week, month or year. It operates as a revolving scheme that continue until each member has benefited and is seen as capable of offering a more promising solution to people's financial problem than do the commercial banks (Falegan, 1987). The whole or part of the amount contributed by all members would be handed over to each member in a predetermined order of rotations. As explained by Bascom (1982), many Esusu groups hold no meetings and members are not frequently known to one another.

Daily Contribution Scheme/ Institution

It is in most cases referred to as 'AjoOjumo' (meaning daily contribution) in the Yoruba-speaking part of Nigeria. This institution is a special type of informal capital market where people unknown to themselves contribute unequal amounts which suit them daily to a collector which is the organizer. It targets the low-income, artisans and petty-traders (Iganiga and Asemota, 2008). In the Nigeria context, it is a thrift business where the collector of funds, referred to as 'Alajo', comes around daily to collect the funds from people who are interested in the scheme depending on the agreement (Okafor, 2000). The money is kept in a safe custody by the collector till the end of the month when he/she returns the amount contributes less a day's contribution as commission (Oloyede, 2008). In most cases, a fixed amount of money is safe daily.

Professional Money-Lending Institution (PML)

Professional moneylenders are individuals with enough capital mobilized from different sources including their personal savings to meet other people financial needs. Moneylenders in Nigeria in most cases are traders, farmers and timber merchants with surplus funds to lend. Iganiga and Asemota (2008) are of the opinion that, it is very common in semi-urban areas where civil servants habit with persist delay of salaries and constant strike. It is a typically sole-proprietorship in nature since the lender dictates the pace and term of the credit. The moneylenders in most cases have a greater knowledge of the market than the borrower, whom in most cases are more preoccupied with availability of loanable funds than with their interest cost. They often charge spurious rates of interest.

Professional Traders Association

This is a special type of informal financial institution where practitioners or members of same business or co-workers or those operating in the same market place come together and make contribution as agreed upon whether weekly or monthly and the money collected is then given out to members in form of loan at concessionary interest rate repayable at the end of the year with the principal. The main objective of this institution is to protect the interest of their members.

Cooperative Thrift and Credit Societies

It is the most standardized informal financial institution. The Rochdale Society of Equitable Pioneers, founded in 1844, is usually considered the first successful co-operative enterprise. From the report of the workshop held on 10t-11th November 2008 during the 8th International Cooperative Association (ICA) Africa regional assembly at the international conference centre, Abuja. Mr. Tom Tar - The Executive Secretary of Cooperative Federation of Nigeria, in his introduction of the movement in Nigeria, said the Cooperative Federation of Nigeria (CFN) was formed in 1945 and got registered in 1967. He traced the background of cooperatives in Nigeria to the traditional savings and loans system.

These institutions are expected to be registered under the Cooperative Association Act (Ekpo and Umoh, 2011, Agwor and Akani, 2020) but not regulated. The Company and Allied Matters Decree (1990) stated that cooperative societies are expected to be registered to enjoy corporate and legal status. The objective of this institution is to provide saving facilities and lend short term loans to members and sometimes to businesses that yield quick return. The sources of funds include shares, special savings, entrance fees and dues. The main problem of the thrift and credit societies is inadequacy of fund, which prompt them to approach banks which would charge high interest. However, Credit societies often come together to form larger units called credit unions.

Low Income Earners

This is primarily comprised of lower-level citizens, white-collar workers. These workers are typically not educated and lack the graduate degrees needed to advance to higher levels of employment, or have a degree but remain unemployed but manage to put food on its table. Income for these workers generally falls between N160,500 and N200,000. This category is trapped in the poverty rate of 69% of the total population.

According to Nigeria Bureau of Statistics report 2018, inequality in Nigeria worsened between 2004 and 2013 but improved in 2016 using either the gini coefficient or the Inequality as measured by the Gini worsened from 0.356 in 2004 to 0.41 in 2013 but improves to 0.391 in 2016. Using the, inequality worsened from 0.217 in 2003 to 0.395 in 2013 but improved to 0.31 in 2016. With respect to consumption shares (and using consumption as a proxy for income), in 2004, the bottom 10% (poorest of the poor) of the population consumed 2.56% of goods and services, while the top 10% (super rich) consumed 26.59% of all goods and services. The richest 10% were responsible for 26.59% of national expenditure or income in 2016. This increased to 33.72% in 2013 but decreased to 31.09% in 2016. The top 20% were responsible for 42.40% of national income/expenditure in 2004. This increased to 48.28% in 2013 but declined to 46.63% in 2016. While no agreed standard definition of the Nigerian middle class exists, for the purpose of this report we have classified decile 01-03 as the lower class, decile 04-07 as the middle class and decile 08-10 as the upper class.

Accordingly, the upper class was responsible for 58.39% of national income/expenditure down from 59.42% in 2013. The share of the upper class in national income had been rising between 2004 and 2013 before reducing in 2016. The middle class on the other hand accounted for 30.26% of national income/expenditure in 2016, higher than 29.14% in 2013. The share of the middle class had been declining between 2004 and 2013 in favor of the higher class but that reversed in 2016. Finally, the lower class accounted for 11.35% of national income/expenditure in 2016 lower than 11.43% in 2013.the biggest gainers of income/expenditure shares between 2013 and 2016 has therefore been the middle class, while the lower-class share remained constant while the high- class shares reduced. This widening gap between the rich and the poor in Nigeria is contrary to kuznets' hypothesis.

Informal Lending and Some of its Characteristics

In the periods that various countries have tried to liberalize their financial sectors, credit flow from informal units do not appear to have shrunk, as would have been expected if informal finance was driven mainly by repressive financial sector policies. In Malawi, Chipeta and Mkandawire (1994) have indicated that the mean number of people receiving loans from a moneylender rose from 44 in 1990 to 70 in 1992. Similar increases were recorded for loans coming from traders and estate owners in Malawi. Also, in both Ghana and Nigeria, steady growth in the flow of loan applications to informal lenders have been observed, and these have been matched by steady increases in the numbers of loans granted by various informal lenders (Aryeetey, 1994; Soyibo, 1994).

Interest Rates

While informal lenders are often perceived to have "outrageously high" interest rates, in contrast with formal lenders, there appears to be considerable variation in the rates of different informal lenders in many countries. We note that most informal lenders grant loans with maturities that lie anywhere between 1-12 months, but with 3-6 month loans dominating. For purposes of comparing interest rates we may use monthly rates for different lenders.

Collateral

On collateral, it may be noted that, while the need to secure loans granted among moneylenders and credit unions may be common practice, it is often not the case for other informal lenders. Thus, while 83% of Ghanaian moneylenders and 76% of credit unions require security against loans, among the community or group based institutions, (such as the cooperatives and SCAs), security is taken for granted, in view of the nature of association. Similarly savings collectors would require security only when they lend to non-deposit clients. Even those lenders who require collateral are reluctant to forclose in the event of loan nonpayment. Less than 4% of Ghanaian lenders suggested that their first course of action upon a default would be to seize collateral. Instead, the collateral remains in the hands of the lender as the loan is renegotiated (Nissanke and Aryeetey, 1995, Akan and Lucky,2020).

Urban Bias in the Financial System

Myrdal (1965) pointed out that 'studies in many countries have shown how the banking system, if not regulated to act differently, tends to become an instrument for siphoning off the savings from the poorer regions to the richer and more progressive ones where returns on capital are high and secure'. This backwash effect is reflected in the extent to which the deposit/advance ratio is higher in bank branches in rural areas than those in urban areas. This phenomenon can be described as an exercise of rural-oriented savings mobilization and urban-oriented lending by banks. The financial urban bias has been formally defined as 'a net transfer of financial resources from rural to urban areas which is not justified by social returns and which reflects failures of rural financial markets (Chandavaker, 1985; Akani and Lucky, 2014). Despite various measures, in particular, the selective credit policies adopted by government authorities in developing country, such a backwash effect of commercial banking has persisted.

Theoretical Framework

The Dependency theory

The theory was propounded Gunder Frank using from Marx's ideas. It is a reaction to modernization theorist's assumption that behavioural traits and structures/ institutions in the third world are impediments to actualizing economic growth and development and that imitating structures and institutions of the advanced capitalist countries is the only way to achieve development. Rather dependency theorists argue that it the contact with western structures and institutions have been central in the discussion of poverty and backwardness in the third world countries. The theory sees internal factors as not being central to underdevelopment but sees indigenous institutions as capable of engendering development. Foreign institutions have failed to live up to their billings in terms of improving the economy and socio-economic lives of the people as their sole aim is profit maximization, exploitation of the masses and foreign capital transfer. Informal financial institutions which creation of indigenous people in third world have been found to have gained more popularity in terms of improving the standard of living of the people. Based on the emphasis placed on the efficacy of indigenous institutions promoting development by dependency theorists, informal financial institutions, which are indigenous creation, may be seen as playing a critical role in ensuring development in third world countries. The theory has rejected the assumption that foreign structures and institutions represent a developmental blue print for third world countries, stressing the need to cut off from the west and western model of development.

The Vicious Cycle of Poverty

The vicious cycle of poverty states that the poor man is poor because he is poor or a country is underdeveloped because it is underdeveloped. The vicious cycle of poverty is a kind of curse which is feared by individuals and countries because it is said that an individual/country is poor because it is poor. The theory states that there are circular relationships known as the "vicious cycle of poverty" that tend to perpetuate the low level of development in less developed countries (LDCs). The trajectory is that poverty is caused by low income.

Low income engenders low savings and this in turn leads to low investment. The latter provokes low productivity and the cycle continues. According to Jhingan (2003), Akani and Akani (2020), the basic vicious cycle stems from the facts that in LDCs total productivity is low due to deficiency of capital, market perfections, economic backwardness and underdevelopment. Jhingan stressed that vicious cycle operates both on the demand side and supply side. On the demand side of the vicious cycle, the low level of real income leads to a low level of demand which in turn leads to a low rate of investment and hence back to deficiency of capital, low productivity and low income.

On the supply side, low productivity is reflected in low real income. The low level of savings leads to low investment and to deficiency of capital. The deficiency of capital in turn leads to a low level of productivity and back to a low income. Accordingly, this theory views poverty as being self-perpetuating.

Application of Theory

This study is built on the theory of vicious circle which states that that there are circular relationships known as the "vicious cycle of poverty that tends to perpetuate the low level of development in less developed countries

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Empirical Literature

Nwachukwu and Odigie (2011) examined the determinants of private saving in Nigeria during the period 1970-2007 using the ECM procedure. The results of the analysis show that the saving rate rises with both the growth rate of disposable income and the real interest rate on bank deposits; while public saving seems not to crowd out private saving, suggesting that government policies aimed at improving the fiscal balance have the potential of bringing about a substantial increase in the national saving rate. Also, the degree of financial depth has a negative but insignificant impact on saving behaviour in Nigeria.

Akpan, Udoh and Aya (2011) used two-stage least squares method of simultaneous equation modeling to examine the factors that determine household saving of rural agro-based firm workers in the south-south region of Nigeria. The results indicate that income, tax, job experience, education, family size and membership of a social group influence saving attitude of workers. Soyibo and Adekanye (1992) used data for the period 1969 – 1989 to examine financial system regulation, deregulation and savings mobilization in Nigeria by adopting an ex-post analysis of the Nigerian banking system. The results indicate that ex-post real interest rate is a significant determinant of both savings and real stock of money demand in Nigeria.

Babatunde, Fakayode, Olorunsanya and Gentry (2007) examined the determinants of saving among cooperative farmers in Ondo State, South-western Nigeria. They obtained data from 150 cooperative farmers using structured questionnaires. The results of their study indicate that International Journal of Development and Economic Sustainability household size, years of cooperative membership, interest rate on loan, gender and the amount of money borrowed are the significant determinants of savings among the cooperative farmers. Nwachukwu and Egwaikhide (2007) examined the determinants of private saving in Nigeria by comparing the estimation results of the ECM model with those of partial-adjustment, growth rate and static models. They found that real interest rate on bank deposits has a significant negative impact while external terms of trade, inflation rate and external debt service ratio have positive impact on private saving. They also found that savings rate rises with the level of disposable income; and that the ECM performed better than the other models.

Osei (2011) examined the functional relationships between financial savings and macroeconomic variables in Ghana using trend analysis and ECM methodology. The study found that level of investment, deposit rate, and level of income has significant positive impact on savings. Igbatayo and Agbada (2012) investigated the relationship between inflation, savings and output in Nigeria, employing Vector Autoregression (VAR) approach. The results indicate that inflation tends to reduce Output while savings actually stimulates output in Nigeria. Temidayo and Taiwo (2011) employed descriptive statistics in carrying out a qualitative analysis of the relationship between domestic savings and economic growth in Nigeria, using annual secondary data obtained from World Data Indicator (WDI), World Bank publication and Statistical Bulletin of the Central Bank of Nigeria for the period of 1970 to 2006. The study concluded that the problem with Nigeria's economy is not that of mobilizing domestic savings but that of intermediation; and thus recommended that government should adopt policy enhancing intermediation between savings and investment in the economy by providing regulating and coordinating role to ensure effective intermediation between savings and growth in the economy.

Eregha and Irughe (2009) examined the impact of foreign aid inflow on domestic savings in Nigeria using an OLS methodology. The results indicate that both the short run and steady state foreign aid inflow to Nigeria have positive effect on domestic savings. Ogwumike and Ofoegbu (2012) used an ARDL estimation technique to examine the impact of financial liberalization on Nigeria's domestic savings, 1970-2009. The study concluded that interest on deposit induced by liberalization was not the major determinant of savings. Ghazala (2006) found positive effects of informal financial institutions such as micro-credit programmes on the welfare of the people. The study showed that the programme reduced poverty through microfinance and thrift societies. It also increased women empowerment, improved savings and purchase of agricultural inputs and ensured easy access to loans with considerably lower interest rates. Zaman (1999) emphasised the importance of Informal Financial Institutions on socio-economic development with reference to Rotational Savings Credit Association (ROSCA). He found that loans provided by the ROSCA increased people's income and stimulated building of assets. It also 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. This enables the farmers to store their product until the prices are reasonable enabling farmers to reap the reward of high profits.

Bauchi (2000) study in Gwer- West of Benue, Nigeria found that IFI's through ROSCA promoted economic situation of its members and society at large. They keep money on behalf of their members which is a function that is vital for capital creation, and also give credit to members to facilitate investment. Tsai (2004) assert that informal sector represents a major source of finance for traders and farmers which invariable ensure socio-economic development. Vazakidis and Adamopoulos (2009) employed a Vector Error Correction Model (VECM) to investigate the relationship between credit market development and economic growth for Italy for the period 1965-2007 taking into account the effect of inflation rate on credit market had a positive effect on credit market development, while inflation rate had a negative effect.

Using a Vector Auto regression (VAR) approach, Shan and Jianhong (2006) examined the impact of fundamental development on economic growth in China. They found that financial development comes as the second force (after the contribution from labor input) in leading economic growth in China. Their study supports the view in the literature that financial development and economic growth exhibit a two-way causality and hence is against the so-called "finance-led growth" hypothesis. Mukhopadhyay and Pradhan (2010) examined the causal relationship between financial development and economic growth of 7 Asian developing countries (Thailand, Indonesia, Malaysia, the Philippines, China, India and Singapore) during the last 30 years, using multivariate VAR model. The study concluded that no general consensus can be made about the finance-growth relationship in the context of developing countries. A number of empirical studies were also carried out to assess the impact of financial sector development and economic development in Nigeria by a number of authors. Odedokun (1989), for instance, tested the causality between financial variables and economic development. Among other findings, he found a rather weak unidirectional causation from the GDP to the broader money when Sim procedures were used and contrary estimates for Granger causality.

Fadare (2004) empirically identifies the effect of banking sector reforms on economic growth in Nigeria by using the data 1999 - 2009. Variables used for the study are interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate, inflation rate lagged by one year, size of banking sector capital and cash reserve ratios. Results indicate that the relationship between economic growth and other exogenous variables of interest rate margins, parallel market premiums, total banking sector credit to the private sector, inflation rate and cash reserve ratio show the negative and insignificant. Hence it is suggested that criteria which encourage banking sectors to give more capital or start huge amount of lending to the individuals by minimize cash reserve ratios which is not supposed to be motivated factors for economic growth if the borrowing capacity that due to these criteria it will not surpass to the growth of private sector in the form of longer term finances. To find out the solution of this problem, the financial policies should consider to reform and enforce the borrowing in small industries with proper regulatory policies and against secure type of collaterals and confirmation of guaranteed repayment of finances given to them.

Kayode et al (2010) investigates the effect of bank lending and economic growth on the manufacturing output in Nigeria. By using the times series data which covering a period of 36 years (1973 to 2009) The technique has been used for analysis the model is the co-integration and vector error correction model (VECM) techniques. The empirical outcomes of the study show that production volume utilize in manufacturing and bank rate of lending loans significantly affect manufacturing output in Nigeria. However, at the other hand relationship between manufacturing output and economic growth could not be successfully made and progress in the country. Hence the results shown that a mix consideration of monitory policy for central bank to ceiling off the borrowing rate effort by the government, for the manufacturers and the other development financial institution for revised the lending and growth regulations and provide competitive environment, in order to motivate investments to this sectors and made easy procedures for borrowing loans and advances from these institutions.

Khasru and Jalil (2004) empirically investigated the Kuznets hypothesis using data for 24 countries. They used the fixed effect estimation technique to estimate their panel data model. In general, they found an un-inverted 'U' pattern. Though the second part of the hypothesis applies to most countries, they found that it is not applicable to developing countries like Ecuador, Cyprus, Egypt, Turkey and Chile and for newly industrialized countries like Singapore. Whereas the role economic growth plays in reducing poverty levels is extensively acknowledged, the same cannot be drawn for the role economic growth plays in reducing income inequality. There are contrasting views on the relationship between economic growth and income inequality.

Fanta and Upadhyay (2009) used data on 16 African countries to estimate the effect of economic growth on poverty levels. They argued that although growth is fundamental to reducing poverty levels in Africa, the growth elasticity of poverty is different among countries. Their results suggested that economic growth tends to reduce poverty in Africa. Attaining high levels of economic development allows countries to improve their standard of living. They therefore recommended policies that aim at economic development and bringing down income inequality in Africa. Growth elasticity of poverty is defined as the percentage change in poverty resulting from a percentage change in economic growth.

Stevans and Sessions (2008) examined the impact of economic growth on poverty levels in the United States from 1959 to 1999. They used an error-correction model to estimate a dynamic long-term relationship between poverty and economic growth. They found that increase in economic growth is significantly related to poverty reduction for all families in the United States. According to them, growth had a more pronounced impact on poverty levels during the expansionary periods of the 1960's, 1970's, 1980's and 1990's. This is because workers, particularly the poor, found employment opportunities during periods of high and sustained economic growth as opposed to economic slowdowns. Sadoulet and Janvry (2000) exceptionally higher levels of income inequality than other regions at similar levels of average income per-capita. They investigated the effects of economic growth on rural and urban poverty levels in Latin America from 1970-1994 taking into account the differences in income distributions. They found that, growth significantly reduced poverty levels when there were low levels of income inequality. There is therefore a high cost of income inequality.

Lee and Perera (2013) investigated the contribution of economic growth and institutional qualities to the reduction in poverty in Asia from 1985 to 2009. They argued that, there are many factors behind the persistent poverty problems in developing countries and that economic growth alone cannot account for all the changes in poverty levels. Some of the factors include government stability and rule of law, corruption, and democratic accountability. They found that economic growth significantly reduced poverty levels in the South and East Asia region. Economic growth leaves the income distribution unchanged and therefore results in a higher reduction in poverty levels. On the institutional qualities, they found a negative relationship between government stability, rule of law, and poverty. Thus, improvements in institutional qualities led to a reduction in poverty levels over the years. However, a reduction in corruption, improvements in democratic accountability and bureaucracy have not contributed to reducing poverty and income inequality. This result is interesting since corruption in particular is seen as detrimental to economic development. Moderate rates of corruption may not be harmful to growth initially but in the long run, they argued that corruption will have an adverse effect on economic development and may worsen poverty levels even further. Therefore governments in Asia should adopt policies to mitigate corruption and promote quality institutions.

Mullainathan and Shafir (2010) demonstrated greater depleting effects on math performance by New Jersey mall shoppers of an expensive hypothetical car repair decision than an inexpensive one, with the greatest effects on less wealthy shoppers. Poverty may have many effects on behavior, many of which could be unrelated to behavioral control. Deaton (1990) observes that allowing heterogeneity in discount rates in a theory of consumption under borrowing constraints "divides the population into two groups, one of which lives a little better than hand to mouth but never has more than enough to meet emergencies, while the other, as a group, saves and steadily accumulates assets. For consumers whose impatience exceeds the rate of return to investing, remaining poor is optimal.

Literature Gap

Tridico (2010) analyzed the effect of financial dualism and economic growth in 50 emerging and transitional economies (ETEs) between 1995 and 2006. Adam (2004) used data on 60 developing countries to analyze the relationship between financial dualism and economic development. Fanta and Upadhyay (2009) used data on 16 African countries to estimate the effect of economic growth on poverty levels. The empirical literature reviewed in this study is foreign studies and does not capture the effect of immune financial deficiency syndrome and the behavior of low income earners. This study will focus on Nigeria with the objective of examining the relationship between financial sector dualism and low income earners in the rural communities of Rivers State.

METHODOLOGY

Research Design

The type of research design that was used in this study is the cross sectional research design, which is selected because it would ably facilitate the collection of data from the different strata of respondents namely civil servants, business men/women, traditional rulers and students in the rural communities. This helped the researcher to get the individual characteristics of the variables under study.

Population of the Study

The study population consists of all low income earners in Port Harcourt City Local Government Area of Rivers State. This includes Petty traders, civil servants of grade level 1-5 and farmers residing in the local government Area.

Sample Size and Sampling Procedures

The sample size of the study 200 representative from the various communities in Port Harcourt City Local Government Area, the study used random sampling technique based on respondents that have knowledge of the research problem.

Data Collection Sources

The study uses primary data as original data that was collected for the first time and it will be retained by form of questionnaires which will be sent out to a certain number of low income earners were preferably via Internet research assistant. The study was used closed questions that were utilized where it is possible to restrict responses to predetermined answers or where alternatives are few. On the other hand, open questions were used where details were needed and where there were many alternative choices.

Validity

The validity of an instrument is defined as the ability to an instrument to measure what it is intended to measure. In this study, the validity of the instruments was established by the supervisor through an assessment of selected items in the instruments that ensured that the instruments are measuring to the expectations. After identifying the vague and ambiguous questions, corrections were made and final instruments were prepared.

Reliability

The reliability of an instrument is defined as the consistence of the instrument in picking the needed information. Reliability (Internal consistency and stability) of the instruments will be tested using Cronbach's Alpha (α) coefficients (Cronbach, 1946). The researcher was tested the inter-item consistency reliability to ensure that there is the consistency of respondents 'answers to all items in the measure.

Data Processing, Analysis and Presentation

The statistical techniques employed in analyzing data collected in this study are:

Tables

Tables effectively order and summarize the quantitative data. They are used to arrange facts and figures in columns and rows. These facts and figures can be systematically examined (Ojo**,** 2005).

Percentages

These are used in translating frequency counts into percentage. These percentages were used to show the distribution of respondents according to their responses (Ojo, 2005)

Correlation Analysis

It is used as a measure of the strength of linear dependence between two variables. According to Ojo (2005) correlation is used to find out if there is any relationship between two variables. While doing this, a variable is correlation to another variable. Spearman rank correlation coefficient with the aid of the Statistical Package for Social Sciences, (SPSS) Version 20.0.

The correlation coefficient ranges from −1 to 1. A value of 1 implies that a linear equation describes the relationship between X and Y perfectly, with all factors affecting Y held constant for which Y increases as X increases. A value of −1 implies Y decreases as X increases. A value of 0 implies that there is no linear correlation between the variables.

ANALYSIS AND DISCUSSION OF RESULTS

Presentation of Data

The source of data used in the study is questionnaire which was administered to 200 sample representatives from Port Harcourt city local government Area. Out of One two hundred questionnaires administered, One Hundred and Thirty-Four (134) were retrieved which represents 67% while sixty-six (66) questionnaires which represent 33% were not retrieved. The table below gives the details.

From table 2, out of the 60 questionnaires administered to low civil servants, 36 were retrieved which represents 15.5% of the total questionnaire administered, out of the 63 questionnaires administered to the Low income business owners, 47 were retrieved which represents 23.5 %,out of the 77 questionnaires administered to unemployed residents, 51 were retrieved which represents 25.5%,

Table 3 above indicates respondents according to gender, 47 respondents that represents 28.1% are male while 87 respondents that represent 52.1% are female.

Most of the respondent shows that commercial banks operations have no effect on low income earners in Port Harcourt city local government Area of Rivers State. Item 1 shows that 24.6 and 58.2 percent of the total respondents strongly disagree and disagree as against 5.2 and 8.2 that strongly agree and agree. Item 2 show that 28.3and 38.8 percent of the total respondents strongly disagree and disagree as against 2.2 and 4.4 that strongly agrees and agrees. Item 3 show that 21.6 and 58.2 percent of the total respondents strongly disagree and disagree as against 0 and 2.2 that strongly

Table 1. Analysis of questionnaires administered

S/No	Questionnaire	No Retrieved	% Distribution
1	Questionnaire retrieved and used	134	67.0
2	Questionnaire not Retrieved	66	33.0
	Total	200	100

Source: Field survey (2021)

Table 2. Analyses of questionnaire according to rank in the bank

S/No	Rank	Questionnaire Administered	Questionnaire Retrieved	% Distribution
1.	Civil servants	60	36	15.5
2.	Business	63	47	23.5
3.	Unemployed	77	51	25.5
	Total	200	134	67.0

Source: Field survey (2021)

Table 3. Analyses of questionnaire according to Gender

S/No	Gender	Questionnaire Retrieved	% Distribution
1	Male	47	28.1
2	Female	87	52.1
	Total	134	80.2

Source: Field survey (2021)

Table 4. Commercial Banks Rural Credits and Rural Low Income Earners in Port Harcourt

S/N	Items	SD	D	U	A	SA
	Commercial Banks Rural Credits and Rural Low Income Earners in Port Harcourt	**1**	**2**	**3**	**4**	**5**
1.	Commercial banks perform three major functions, namely, acceptance of deposits, granting of loans that affect low income earners	33 24.6%	78 58.2%	3 2.23%	3 2.2%	6 4.4%
2.	Government commenced active deregulation to increase operational efficiency and affect low income earners	38 28.3%	52 38.8%	15 11.1%	7 5.2%	11 8.2%
3.	Commercial banking sector has continued to witness rapid growth which affect low income earners	29 21.6%	68 50.7%	23 17.1%	0 0%	3 2.2%
4.	The branch banking system have positive effect on low income earners	31 23.1%	57 42.5%	19 14.1%	11 8.2%	5 3.7%
5.	The difficulties in accessing bank services affect low income earners	17 12.6%	86 64.1%	13 9.70%	1 0.7%	6 4.4%

Source: Field survey (2021)

agrees and agrees. Item 4 show that 23.1 and 42.5 percent of the total respondents strongly disagree and disagree as against 14.1 and 8.2 that strongly agree and agree while, item 5 shows that 12.6 and 64.1 percent of the total respondents strongly disagree and disagree as against 0.7 and 4.4 that strongly agree and agree. Table 4

Most of the respondent shows that microfinance bank operations have effect on low income earners in Port Harcourt city local government Area of Rivers State. Item 1 shows that 30.0 and 31.3 percent of the total respondents strongly agree and agree as against 8.9 and 5.9 that strongly disagree and disagree. Item 2 shows that 22.3 and 42.5 percent of the total respondents strongly agree and agree as against 16.4 and 2.3 that strongly disagree and disagree. Item 3 shows that 10.4 and 59.7 percent of the total respondents strongly agree and agree as against 2.9 and 10.4 that strongly disagree and disagree. Item 4 shows that 36.5 and 35.0 percent of the total respondents strongly agree and agree as

Table 5. Microfinance Credit Rural Low Income Earners in Port Harcourt

S/N	Items	SD	D	U	A	SA
	Microfinance Credit Rural Low Income Earners in Port Harcourt	**1**	**2**	**3**	**4**	**5**
1.	Microfinance was established to meet the need for low income earners	12 8.9%	8 5.9%	20 14.9%	41 30.5%	42 31.3%
2.	The operational efficiency of microfinance institutions affect low income earners	22 16.4%	3 2.23%	11 8.2%	30 22.3%	57 42.5%
3.	Microfinance bank in Nigeria is a self-sustaining and affects low income earners	4 2.9%	14 10.4%	11 8.2%	14 10.4%	80 59.7%
4.	The operations of microfinance relates to low income earners	8 5.9%	9 6.7%	10 7.4%	49 36.5%	47 35.0%
5.	The reforms in microfinance banks have effect on low income earners	13 9.7%	17 12.6%	19 14.1%	48 35.8%	26 19.4%

Source: Field survey (2021)

Table 6. Thrift associations and rural low income earners in Port Harcourt

S/N	Items	SD	D	U	A	SA
	Thrift associations and rural low income earners in Port Harcourt	**1**	**2**	**3**	**4**	**5**
1.	The operations of Thrift associations to low income earners	12 8.9%	7 5.2%	19 14.1%	42 31.3%	43 32.1%
2.	The reforms in Thrift associations have effect on low income earners	4 2.9%	3 2.2%	22 16.4%	28 20.9%	66 49.3%
3.	he main problem of the thrift and credit societies is inadequacy of fund that affect low income earners	16 11.9%	11 8.2%	9 6.7%	55 41.0%	32 23.9%
4.	The operational efficiency of Thrift associations affect low income earners	20 14.5%	18 13.4%	13 9.7%	38 28.4%	34 25.4%
5.	Credit societies often come together to form larger units called credit unions affect low income earners	0 0%	15 11.2%	10 7.5%	38 28.4%	60 44.7%

Source: Field survey (2021)

Table 7. Local Money Lender and Rural Low Income Earners in Port Harcourt

S/N	Item	SD	D	U	A	SA
	Local Money Lender and Rural Low Income Earners in Port Harcourt	**1**	**2**	**3**	**4**	**5**
1.	The main objective of Local money lender is to protect the interest of their members thereby affecting low income earners	5 3.7%	7 5.2%	2 1.5%	54 40.2%	55 41.0%
2.	Loans are granted within a shorter time that affect low income earners	9 6.7%	18 13.4%	19 14.1%	27 20.1%	50 37.3%
3.	Moneylenders are individuals with enough capital mobilized, this affect low income earners	11 8.2%	9 6.7%	8 5.9%	43 32.1%	52 38.8%
4.	Moneylenders in Nigeria in most cases are traders, farmers	14 10.4%	31 23.1%	17 12.7%	30 22.3%	31 23.1%
5.	The lender dictates the pace and term of the credit that affect low income earners	10 7.5%	12 8.9%	20 14.9%	39 29.1%	42 31.3%

Source: Field survey (2021)

against 5.9 and 6.7 that strongly disagree and disagree. Item 5 shows that 35.8 and 19.4 percent of the total respondents strongly agree and agree as against 9.7 and 12.5 that strongly disagree and disagree. Table 5

Most of the respondent shows that microfinance bank operations have effect on low income earners in Port Harcourt city local government Area of Rivers State. Item 1 shows that 31.3and 32.1percent of the total respondents strongly agree and agree as against 8.9 and 5.2 that strongly disagree and disagree. Item 2 shows that 20.9 and 49.3 percent of the total respondents strongly agree and agree as against 2.9 and 2.2 that strongly disagree and disagree. Item 3 shows that 41.0and 23.9percent of the total respondents strongly agree and agree as against 11.9 and 8.2 that strongly disagree and disagree. Item 4 shows that 28.4and 25.4percent of the total respondents strongly agree and agree as against 14.5 and 13.4 that strongly disagree and disagree. Item 5 shows that 28.4 and 44.7 percent of the total respondents strongly agree and agree as against 0 and 11.2 that strongly disagree and disagree. Table 6

Most of the respondent shows that microfinance bank operations have effect on low income earners in Port Harcourt city local government Area of Rivers State. Item 1 shows that 31.3 and 32.1 percent of the total respondents strongly agree and agree as against 8.9 and 5.2 that strongly disagree and disagree. Item 2 shows that 20.9 and 49.3 percent of the total respondents strongly agree and agree as against 2.9 and 2.2 that strongly disagree and disagree. Item 3 shows that 41.0 and 23.9 percent of the total respondents strongly agree and agree as against 11.9 and 8.2 that strongly disagree and disagree. Item 4 shows that 28.4 and 25.4 percent of the total respondents strongly agree and agree as against 14.5 and 13.4 that strongly disagree and disagree. Item 5 shows that 28.4 and 44.7 percent of the total respondents strongly agree and agree as against 0 and 11.2 that strongly disagree and disagree. Table 7

DISCUSSIONS OF FINDINGS

This study examined the relationship between financial dualism and low income earners in Port Harcourt City Local Government Area in Rivers State. The correlation coefficient indicates the relationship between the operations of commercial banks and low income earners is 21.9 percent. The low relationship between commercial banks and low income earners contradict the a-priori expectation and the objective of commercial banks as a retail financial institution. The negative effect of commercial banks could trace to high banking density and low banking habit. Akani and Lucky (2018) found that the level of banking habit in Nigeria is low compared to other developed and developing countries. The findings contradict the objectives of banking sector reforms and branch banking system of the commercial banks.

The correlation coefficient indicates the relationship between the operations of microfinance and low income earners is 59.3 percent. The high relationship between microfinance banks and low income earners confirm the a-priori expectation and the objective of microfinance banks as a retail financial institution. The high effect of microfinance banks could trace to the reforms of the microfinance banks. It could be recall that microfinance banks were reformed from community bank with objective of increasing the efficiency and meet the needs of the low income earners.

The correlation coefficient indicates the relationship between thrift associations and low income earners is 83.7 percent. The high relationship between thrift associations and low income earners confirm the a-priori expectation and traditional objective of the informal financial market. The high effect of thrift associations could trace to the failure of the conventional financial institutions to meet the financial needs of the low income earners such as the difficulties encountered in the process of obtaining loans.

The correlation coefficient indicates the relationship between local money lender and low income earners is 59.9 percent. The high relationship between local money lender and low income earners confirm the a-priori expectation and traditional objective of the informal financial market. The high effect of local money lender could also be traced to the failure of the conventional financial institutions to meet the financial needs of the low income earners such as the difficulties encountered in the process of obtaining loans.

CONCLUSION

This study examined the relationship between financial dualism and low income earners in Port Harcourt city local government Area of Rivers State. Findings from hypothesis one proved a correlation coefficient of .219, which implies that of 21.9% correlation coefficient between commercial banks and low income earners in port Harcourt city local government area of rivers state. Hypothesis two found a correlation coefficient of 593% between microfinance banks and low income earners in the local government.

The Spearman ranking coefficient shows a p- value of .000 and a correlation coefficient of .837. The null hypothesis is rejected at 5% confidence level that there is no significant relationship between thrift associations and rural low income earners in Port Harcourt. The correlation coefficient of 83.7 shows positive and strong relationship between thrift associations and rural low income earners in Port Harcourt.

The Spearman ranking coefficient shows a p- value of .010 and a correlation coefficient of .599. The null hypothesis is rejected at 5% confidence level that there is no significant relationship between local money lender and rural low income earners in Port Harcourt. The correlation coefficient of 59.9% shows positive and strong relationship between local money lender and rural low income earners in Port Harcourt.

From the findings, the study concludes that there is no significant relationship between commercial banks rural credits and rural low income earners in Port Harcourt.

There is significant relationship between microfinance credit and rural low income earners in Port Harcourt. The correlation coefficient of 593% shows positive and strong relationship between the variables.

From the findings, the study concludes that there is no significant relationship between thrift associations and rural low income earners in Port Harcourt. The correlation coefficient of 83.7 shows positive and strong relationship between thrift associations and rural low income earners in Port Harcourt. There is significant relationship between local money lender and rural low income earners in Port Harcourt. The correlation coefficient of 59.9% shows positive and strong relationship between local money lender and rural low income earners in Port Harcourt.

Recommendations

1. Policies such as rural banking scheme, branch banking and commercial banks reform should be directed towards increasing financial access of rural low income earners in Nigeria.
2. The operational efficiency of the microfinance institution should further be strengthened; existing challenges should be eliminated by the regulatory authorities and management to enhance its function in increasing financial access to rural low income earners.
3. There should be law to strengthen the operational functions of the informal financial institutions, this will increase the operational efficiency and further give access to financial services to rural low income earners.
4. There is need to regulate the operations of the informal financial sector to build confidence on the financial transaction of the institutions.

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