

**CHALLENGES OF INFORMAL RURAL FINANCIAL INSTITUTIONS IN GWER-WEST  
LOCAL GOVERNMENT AREA OF BENUE STATE, NIGERIA**

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**ABSTRACT**

*This study examined the challenges facing the operation of informal rural financial institutions in Gwer-West Local Government Area of Benue State. The specific objectives include; to examine the socio-demographic attributes of the operators of informal rural financial institutions, the challenges face by informal rural financial institutions to poverty alleviation in Gwer-West Local Government Area of Benue State, Nigeria. Cross sectional design was used in the study. Data was collected using questionnaire and Key Informant Interview (KII). A total number of 398 respondents answered the questionnaire and 26 Key Informants were interviewed. Data collected was analysed quantitatively and qualitatively. The findings revealed that informal rural financial institutions contributed immensely for the poverty alleviation in Gwer-West Local Government Area by improving economic conditions of rural people, it enhanced employment generation, provided credited facilities, capital accumulation, saving mobilization, promotion of socio-economic status and promotion of welfare of members and provided loans for agricultural purposes. Untimely repayment of loans by members, and high interest rate charged to members were some of the challenges faced by the institutions and members in the study area. The study recommended for the government to utilise Informal Rural Financial Institutions in its poverty reduction programmes, since they have been found to be helpful among the rural people in-terms of poverty reduction.*

**Key words:** Challenges, Informal Rural Financial Institutions, Gwer-West Local Government, Benue State, Nigeria

**Introduction**

Informal rural financial institutions are locally organized groups of people that meet at regular intervals and pool their resources or funds together and disburse out to one or more members as a loan which often attract little or no interest. According to Aryeteey (2013), this practice is usually found among the low income groups (mostly among the rural people). Informal financial institutions by description are conventional operating loans and savings schemes established by individuals or associations in order to save their financial resources and also give out loans to members who are in need of financial assistance with a payment period and interest attach to such loans. The activities of informal financial institutions are geared towards poverty alleviation among poor inhabitants of any society.

In every economy, formal finance institutions aside from their conventional banking activities are expected to be playing crucial roles of alleviating poverty by making funds available to the rural poor. Unfortunately, formal credit facilities are not adequately available and accessible to the poor especially

across the less developed countries in which Nigeria is one of them. In Nigeria, these formal credit institutions frown at making funds available and accessible to the poor because of the associated costs involved, which include but are not limited to high rate of loan defaults. Though, the government at all levels in Nigeria has been emphasizing much on the need for poverty alleviation, hence has enunciated policies and designed programs aimed at alleviating poverty but to no avail. All the programmes have been characterized by abuse, funds-diversion, mismanagement and misstargeting of the poor populace whom the program is meant for. Some of the programmes include but not limited to National Poverty Eradication Programme (NAPEP), Youth Enterprise With Innovation in Nigeria (YOU-WIN), Subsidy Reinvestment and Wellbeing Program (SURE-P), N-Power among others .

These programs if properly implemented would have gone a long way in uplifting the standard of living of the greater majority of the citizens who are the poor. It is lamentable that despite the laudable nature of some of these programs, the benefits have tended to make few people richer while the greater majority whom the programs are meant for are poorer within the same period. Sequel to all these, the rural bank-less poor have resorted to informal financial settings for their fund needs. It is expected that these informal financial institutions should act as catalysts for economic development and poverty reduction by playing a crucial role of making funds available and accessible to the poor at minimal interest rate.

Among the rural people of Gwer-West, several the people usually come together and involve in informal rural financial institutions such as Local Bankers, Rotational Savings and Credit Associations (Also known as Adashi in the area) Cooperatives, Mobile Bankers, Thrift and Money lenders (Sambe et, at 2014). These IFIs helped the people to access investment funds to reduce their poverty level

Other scholars have conducted similar studies, but in other places, and some of these studies are not conducted by sociologists. For instances, Berko, (2001), assessed self help organization cooperative and rural development in Enugu; Gulong, (2012) evaluated the role of informal financial institutions on socio-economic development of Mangu Local Governemnt Area, Plataeu; Ijaiya, (2002), studied the role of informal sector in minimizing poverty in Ilorin metropolis and Beeior, Ajegi and Tyoakosu, (2016), examined informal financial institutions (IFIs) and poverty reduction in Konshisha Local Government Area of Benue State, Nigeria. None of these studies evaluate the role which these informal credit institutions play in alleviating poverty among the rural people Gwer-West Local Government Area, Benue State, Nigeria. Therefore, this study examined informal rural financial institutions and poverty alleviations in Gwer-West Local Government Area of Benue State.

### **Objectives of the Study**

The general objective of this study is to examine the challenges of informal rural financial institutions in Gwer-West Local Government Area of Benue State. The specific objectives are to:

- i. Assess the socio-demographic attributes of the operator of informal rural financial institutions in Gwer-West Local Government Area
- ii. Determine the challenges of informal rural financial institutions to poverty alleviation in Gwer-West Local Government Area
- iii. Suggest possible ways to make informal rural financial institutions effective in poverty alleviation in Gwer-West Local Government Area

### **Hypotheses of the Study**

This study was premised on the following research hypotheses:

HO. There is no significant relationship between informal financial institutions and poverty alleviation in Gwer West Local Government Area

H1. There is a significant relationship between informal financial institutions and poverty alleviation in Gwer West Local Government Area.

### **Socio-demographic attributes of respondents.**

This section presents the socio-demographic variable of respondents based on sex, age, level of education, marital status, occupation, monthly income, family size, religion and residential location of

respondents. This was done in order to have a deeper understanding about the people in the study area and its bearing on the topic under study.

**Table 1: Socio-Demographic Attributes of Respondents**

S/No	Socio-Variables	Frequency (N=398)	Percentage (100%)
A	<b>Age</b>		
	18-25	90	23
	26 – 35	118	29
	36 – 45	100	25
	46 and above	90	23
B	<b>Sex</b>		
	Male	228	57
	Female	170	43
C	<b>Marital Status</b>		
	Single	140	35
	Married	200	50
	Divorce	30	8
	Widowed	20	5
	Separated	8	2
D	<b>Educational</b>		
	No Formal Education	58	15
	Primary	200	50
	Secondary	90	23
	Tertiary	50	13
E	<b>Occupation</b>		
	Farming	300	75
	Trading/Business	68	17
	Civil Servant	12	3
	Unemployed	18	5
F	<b>Income</b>		
	Below ₦1,000	106	26
	₦1001 - ₦5000	98	25
	₦10,000 – ₦20,000	86	22
	₦30,000 – ₦40,000	41	10
	₦50,000 above	67	17
	<b>Total</b>	<b>398</b>	<b>100</b>

**Source: (Field Survey, 2019)**

The percentage distribution of respondents by age indicates that 90 (23%) respondents were within the age range of 18 -25years, 118 (29%) respondents were within the age bracket of 26-35 years. while 100 (25%) respondents were within the age range of 35-45 years. Those who ages were from 46 years and above constituted 90 (23%) respondents. From the above result it is pertinent to observed that the overwhelming majority of age bracket who actively involved in the activities of informal rural financial institution are between the ages of 26-45 years. By implication it's means that the range of age group have higher responsibility and there is need for them to participate in the activities of informal rural financial institution to enhance their wellbeing and improve their living standard for poverty alleviation.

Table 4.1 above shows the distribution of socio-demographic attributes of respondents. The percentage distribution by sex showed that the male respondents constitute 228(57%) while female respondents constituted 170(43%). This is a clear indication that men in Gwer-West Local Government Area of Benue State were more interested and actively involved in the informal rural activities. In African men are regarded as the bread winners of the families, thus their overwhelming involvement in the informal rural financial activities defined their struggle for the improve living standard of their families.

On the strength of marital status 140(35%) respondents were single while 200(50%) respondents were married and 30(8%) respondents were divorce, 20(5%) respondents were widowed. While 8(2%) respondents were separated. It is very significant to note that the overwhelming majority which constituted 50% were married. The implication is that the married category has more responsibility than single, divorce and separated, hence the need to involved actively in the activities of informal rural financial institution in order to derived benefits to take care of their families and improve their living standard.

With respect to Educational attainment, 58(15%) respondents were non-formal education, 200(50%) respondents were holders of first school leaving certificate while 90(23%) respondents were holders of secondary school certificate 50(13%) respondents were holders of tertiary education certificate. The implication is that more than half of the members are semi-illiterates, hence they prefer to participate in the informal rural financial institution to derive their benefit through self-help activities .it is also believe that informal financial institutions does not discriminate membership based on education attainment

Table 4.1 above also revealed that 300(75%) respondents were engaged into farming activities,68 (17%) respondents were engaged in trading/business, 12 (3%) respondents engaged into civil service work and 18(5%) respondents were unemployed. By implication it is pertinent to observe that majority of the respondents who are members of the one form of the informal rural financial institution engaged into farming to improve productivity in order to enhanced their socio-economic well-being and improve their living standard.

Table 4.1 also indicated that 106(26%) respondents have income less than ₦1000, 98(25%) respondents have earned income between ₦1001- ₦5,000 only. While 86(22%) respondents earned income range of ₦5001 – ₦10,000, 41(10%) respondents indicated that they earned income of ₦20,000 – ₦40,000. While 67(17%) respondents earned income of ₦50,000 and above. By implication, it is pertinent to note that overwhelming majority which constitute 26% of income earning less than ₦1000 are more likely to participate in the activities of informal rural financial institutions in order to benefit from their credit facilities than those who earned between ₦20,000 to ₦50,000 and above.

**The nature of Informal Rural Financial Institutions in Gwer-West Local Government Area**

This section of the study examined the nature of informal rural financial institutions in Gwer-West Local Government Area.

**Table 2: Responses on the Nature of Informal Rural Financial Institutions by operators**

Variable	Frequency	Percentage (%)
Local/Share Bam	101	25.4
Rosca (Adashi)	90	23
Cooperative societies	81	20
Money Lenders	77	19
Daily contribution/savings	49	12.3
<b>Total</b>	<b>398</b>	<b>100</b>

**Source: (Field Survey, 2019)**

Table 2 above shows the nature of informal financial institution that are found in Gwer-West Local Government Area of Benue State. 101 (25%) respondents stated that informal rural financial institutions that predominantly operate in the study area are local Bams: The respondents also stated that the nature of local bam found in all the selected wards of the Local Government Area are based on structure membership, mode of operation, contribution and method or criteria for the disbursement of funds. The structure of the local Bam is determined by the leadership arrangement. The leadership according to the respondents is determined by elective positions. The positions that members usually contest for are president, vice president, treasurer, secretary general, assistant secretary, PRO are clearly defined in the informal financial institution (Associations) constitution. The offices are usually tenured and are not paid salaries, but derived benefits, such as ability to influence credits facilities for their friends and associates. The respondents also stated that membership in the Local Bam is voluntarily determined provided the intending member fulfilled some certain requirements. The respondents further stated that local Bams in Gwer-West operate based on the needs of members. Some operate on weekly basis, others on fortnight basis. procedure for granting loan according to respondents is based on membership contribution.

The contribution determines the amount to lender to a member and ten percent (10%) interest is charged on the amount loaned to a member. Before loan is granted to a member he/she provide surety who is also a member of local bam. The procedure for repayment is also based on the percent of the interest charged in the first instance. Subsequent repayment is done with amount equivalent to minimum rate of contribution. Interval period of loan repayment is clearly stated. When a member defaults in loan repayment, the surety money is forfeited to recover the bam fund. if the surety funds is also insufficient, the Local Bam leadership usually decide on next line of action. Sometimes the properties of a borrower are confiscated and auctions to recover their funds.

The result of findings also showed that 90(23%) respondents affirmed Rotational Savings Credits Association (ROSCA) otherwise known as Adashi as another informal financial institution in the area. The respondents are of the view that the nature of ROSCA (Adashi) is highly dependent on its members and the groups history together. However, membership is drawn from a group of people with common interest, income and ideas. From the findings of the study, organizers of Adashi could gather certain number of trustworthy people like 10 or 12 persons and required each to contribute certain amount of money at weekly or monthly basis. At the end of the first meeting, the organizer will take home the total funds contribution and the sequence will follows until every member benefits. After which another round may continued. The

organizers usually received the first distribution or contribution. The respondents stated that no interest is charged on the contribution of Adashi.

Also, 81(20%) respondents revealed that cooperative societies are informal financial institution that exist in the study area and the nature of cooperative society is determined on the basis of service, community and people oriented. The respondents further stated that the process of formation is between 10 or more members with bye-laws for registration. Membership according to the respondents is based on voluntary basis. Management is done on collective basis, members choose their management committee through election. Contribution is open to all members and members are required to contribute certain percentage before qualifying for service delivery. Goods are purchased at low prices and shared to members on credit basis at low interest rate. Members are expected to repay the loan collected on the goods before claiming full ownership.

More so, 77(19%) respondents stated that the nature of money lender as informal financial institution consist of individual or groups who offers small personal loan to people at high interest rate. Money lenders are supposed to be licensed operators by law. But in the case of Gwer-West Local Government Area, most of the money lender operating in the local government area are not licensed practitioners, they engaged into the business of lending money based on their financial strength and capability. They provide short term loans to people who are in need of finance. The respondents asserts that once an individual fulfilled all the stipulated conditions or requirement like provision of guarantor or assets documents funds are granted with high interest rate. The borrower is also expected to repay the fund at the agreed interval, failure to pay at the stipulated period, additional interest is charged to the amount borrowed. The respondents further view the money lenders as an important part of informal financial institution that is beneficiary to the rural poor.

The findings further showed that 278(70%) respondents agreed that they are members of Informal Rural Financial Institutions in Gwer-West Local Government Area. While 120(30%) respondents stated that they are not members of any informal rural financial institutions. The overwhelming majority of 70% respondents went ahead to name the institutions they belong to, which according to the respondents includes Local Bams, Rotational Saving Credits Association (ROSCA) otherwise known as “Adashi”, Money lenders and cooperative society. Corroborating this, one of the male Key informant aged 42 years revealed that:

Local bam is the major informal financial institution that operate in the Giwer-West Local Government. The structure of Local Bam consist of a chairman, vice chairman, secretary, assistant secretary, treasure, public relations officer (PRO) and provost Marshall. The leadership have tenured, and are not paid salaries but derived some certain benefits at the end of the year when cows are slaughtered they enjoy certain parts of meat and other items shared. Membership is admitted on voluntary basis. Procedure for obtaining loan begins with application and loan is usually granted on first come basis, but the borrower must produce surety who is a member of the bam. Loans repayment are given one month interval and initial refund is done on the basis of percent interest charged. Failure to commenced initial repayment attract surcharge of ten percent of the amount borrowed (KII, Male, 42years).

Another Key informant who responded on the nature of Rotational Saving Credits Association (ROSCA) as informal financial institution, the result revealed that:

Adashi begins with regular meeting by people of common interest and income levels. Contribution is usually done on the agreed amount of money and periodic distribution. Slots or numbers are shared among members on collective agreement. Contributions are done openly at the end of the meeting, the money is given to the first member and sequence continues until every member draw his or her funds to finance the project embark upon. (KII, Female, 32years).

Cooperative societies enjoy government support through loans/grants. An interview with another key informant in Agagbe revealed that:

Cooperative societies operates on the basis of mutual benefits among members. Membership is usually based on voluntary basis between 10 and more members. Cooperatives are managed by members themselves. The management committee is constituted through election. Members are required to contribute their resources before benefiting from the cooperative capital. Goods are purchased by the management committee at the low prices and are given to the eligible members at affordable interest rate. Beneficiaries are expected to repay complete money on the goods purchase for them before original document are released to them to become bonafide owners. (KII, Male 37years).

Another respondents also held during interview conducted to the revealed that:

Money lenders popularly known in Tiv as “maruwa” is an important informal financial institution that assist rural poor to access money to increase agricultural productivity and other business activities. The process of accessing money is not as difficult as the formal financial institution like “Bank”. Most of the money lenders found here in Gwer-West are individuals, they lender money to people at high interest rate to increase their farming activities. The period of refund is usually full cropping season. It is expected that at the end of the cropping season the borrowers will harvest their crops and refund the money with interest rate. But those who borrowed not to farm but to settle other problems are given one month interval to repay with high interest and failure to pay as at when due additional interest is added to the former interest rate charged. This money lenders help people to improve their living standard in Gwer-West Local Area (KII, Male 46 years).

Based on the above, it was concluded here that the informal financial institutions that are accessible by the rural people in Gwer-West included local banks ROSCA (adashi) existed in Gwer-West, cooperative societies existed in Gwer-West LGA, Mobile banks also were obtained the study area, thrift, money lenders and daily contributions were available for women.

### The challenges of Informal Rural Financial Institutions on Poverty Alleviation.

**Table 3 Showing challenges of informal financial institutions**

Challenges of IFI	Frequency	Percentage (%)
High interest rate	130	33
Lack of proper accounting/administrative procedure	70	18
Lack of trust and fear of default	60	15
Inadequate mobilization of funds/low income earning	80	20
Lack of participation in decision making and poor leadership	20	5
Lack of education	20	5
Fraud by leaders and lack of legal support	18	4
<b>Total</b>	<b>398</b>	<b>100</b>

**Sources: field survey, 2019.**

The response on table 3 above showed that 130(33%) respondents which constitute overwhelming majority identified high interest rate as the major challenge confronting informal rural financial institutions. The respondents affirmed that high interest rate charged by some of the informal financial institutions like money lenders, thrift and loans and cooperative societies are expensive in terms of the cost. The respondents further stated that the interest rate charged on the loan granted to contributors or borrowers are not market driven and borrowers that uses such funds their lives are not better off. This finding is consistent with Solomon (2009). He found that high interest rate charged by the traditional financial institutions has been

criticized. He stated that providers of credit charged between 50% to 100% interest rate on loan or borrowed funds and tend to embarrasses borrower who default from repayment.

Also, 70(18%) respondents viewed lack of proper accounting and administrative procedure as a challenge confronting informal rural financial institutions. The respondents stated that the lack of accounting and administrative procedure make private owner to engaged into unfair practices as been the easiest means of accessing loans. They are known to be notorious in adopting unfair tactics to raise interest on loan funds during negotiation or in handling of the properties of defaulters which the worth may fold the amount of money borrowed. This finding is in line with Solomon (2016). He observed that most of the informal financial institutions are privately owned or operated by a group who are not usually registered and recognized by laws. Therefore, their operations are neither guided by good accounting procedure or accountability except to officials where such exist.

The findings of the study also show that 60(15%) respondents identified lack of trust and fear of default as the major challenges confronting informal rural financial institution. The respondents observed that some of the informal rural financial institution are afraid of giving out loans to her members due to lack of trust to refund the money and the fear of the death of a member. Sometimes, the owners of the institution may look for a stringent measure to employed so that the intended borrower will not met the condition and the loan will not be granted.

Similarly, 80(20%) respondents opined that, the major problem confronting informal rural financial institution is inadequate mobilization of funds or low income earning by members. This has made saving mobilization difficult and created the fear of default that is common among members. The respondents stated that some members may contributed small percent of funds and will expect the institution to loan huge amount of money to them. In such cases it becomes very difficult for such an institution to function effectively. This proposition made by respondent is consistent with the observation made by Noah, Gafar and Ijaiya (2009). They observed that the problem of low income earning of members has made saving mobilization difficult and the fear of default that is common among members. 20(5%) respondents indicated that lack of participation in decision making is the major challenge of informal rural financial institution. The respondent affirmed that members of some informal financial institutions are excluded in the decision making process because of the private ownership of the funds likes money lenders. The lack of participation empowered the sole proprietor to take stringent decisions that are not favourable to members but for his business only. The high rate of interest charged to the borrowed funds are favourable to his business.

Similarly, 20(5%) respondents stated that lack of education is the major problem confronting informal financial institution. The respondent observed that most operators in the informal financial business only possesses basic education to enable them make entries into the books in a very simple way, which does not fully reflect the nature of the transactions, majority lack the basic accounting knowledge and book keeping methods. This has allowed the operator the opportunity to run the institutions as if they own them. In addition, the respondents stated that operator are aware that registration is required, but they are often adamant and refuse to register with the state in order to enable them avoid supervision, regulations and control. Finally, 18 (4%) respondents stated that one of the major challenge confronting informal rural financial institutions Gwer West Local Government Area is fraud by leaders or operators of IFI and lack of legal support to prosecute the fraud perpetrators. In the similar vein, the KII interview conducted from the field also revealed that:

The major problem experienced from some of the informal financial institutions is high rate of interest charged on borrower funds. Some individual who give out money to borrowers charged interest rate of 5% to 100%. The borrower may have no choice than to accept the high interest rate because of the financial challenge one may have at hand. The fastest and easiest source one may borrowed money is from the money lender. (KII, Male, 37 years).

The KII interview also captured thus

Accounting and administrative procedure of many informal financial institutions are not favorable to borrowers. Individuals or groups who owned these institutions are not fair to borrowers they charged interest arbitrary and lack proper knowledge of record and accounts. Sometime a borrower will complete his or her repayment, but the loan will



continue to exist as if payment has not been completed. This lack of proper accounting and records placed heavy burden on borrower and create much embarrassment. (KII, female, 43 years).

The KII interview conducted from field also revealed that:

Lack of trust to refund the money to be borrowed and the condition of borrower may result to death is the major problem confronting the informal rural financial institution (KII, Male 58years).

Another interview also revealed that.

Lack of education is the greatest challenges confronting the operators of the informal financial institutions. The operators of this sector only possesses basic education to enable them make entries of the money collected in a simple manners. Sometimes, they find it very difficult to calculate interest rate charge on the money loan to members. Records are also not properly kept. Sometime members who borrowed money resulted into heated argument in terms of loans repayment. Lack of education has greatly impede the development and progress of many operators of informal financial institution (KII, Male 39 years).

One of KII also indicated that:

Fraud committed by leaders or operators of informal rural financial institutions is highly alarming and there is lack of legal backing to arrest and prosecute the perpetrators of this fraud. The criminal fraud perpetrated by the operators IFI includes: arbitrary interest rate charged on the loan, confiscation of borrowers properties without regards to human right and suppression of records to cheat borrowers among other frauds activities. (KII Male, 40 years).

Another interview also revealed:

Inadequate contribution or mobilization of funds by members impede the progress of informal rural financial institution. Some members of informal institutions do not met the stipulated requirement of contributions but expect the institution to lender funds to them. Sometime the institution may go ahead of lendering such funds and they end up to be bad debts and this may lead to the collapse of institution. (KII, Male, 41years).

On the whole therefore, the challenges of IRFIs in Gwer-Wesr LGA, included illiteracy, fading trusteeship, lack of collateral/credit facilities, poor mobilization, poor management, loss of membership and insufficient finances.

### **Test of Hypothesis**

This section of the paper dealt with test of hypotheses. The hypothesis that was tested here stated: “ there is a significant relationship between IFIs and poverty reduction in Gwer-West LGA”. The hypothesis was tested using ANOVA. The reason for the choice of ANOVA was because of the fact that, the variables that were used in the hypothesis were ordinal variables, therefore, ANOVA was seen to be the best statistical tool for testing the hypothesis.

**Table 4: Test of ANOVA on Informal Rural Financial Institutions and poverty Reduction in Gwer-West Local Government Area, Benue State.**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	29.900	1	29.900	153.065	.000 <sup>b</sup>
	Residual	67.784	347	.195		
	Total	97.685	348			

**Source: Filed Survey, 2019**

- a. Predictor: (constant), IEFIs.
- b. Dependent variable: poverty Reduction

From the output, at the 5% level of significance, the Analysis of Variance (ANOVA) statistics give the evidence that the slope of regression was different from zero. The conclusion was reached based on the fact that the P. value of 0.00 was less than 0.05 or 5% level of significance. This infers that IRFIs have significant effect on poverty alleviation in Gwer-West Local Government Area, Benue State.

### Conclusion

Drawing from the findings of the study, it is clear that informal rural financial institutions play crucial role in alleviating poverty among the people of Gwer-West Local Government Area. Their roles are very visible in terms of encouraging the culture of thrift and Saving among the people, granting of loans to members in need, promoting the spirit of entrepreneurship, promoting frugal spending as well as propelling members to venture into self-help developmental/community help projects. This has contributed immensely in alleviating poverty in the study area. However, important as their roles are, the informal rural financial institutions are bedeviled with serious challenges that inhibit their effective performance for poverty alleviation in the study area. These challenges are enormous and until these are surmounted, the desire of these Institutions to be effective in alleviating the poverty of its members in the study area will remain a mirage.

### Recommendations

Based on the findings from the study, the following recommendations have been advanced for the individual members, the Institutions, Groups and Organizations as well as Government/Policy makers alike to work to ensure that the challenges of these institutions are ameliorated or reduced to reposition these for better performance so as to enhance service delivery/poverty alleviation of their clients:

Government should encourage small and medium enterprise through provision of proper regulation of the activities of the informal financial institutions. The regulation will empower the operators of informal rural financial institutions to recover their funds from defaulters.

Income generation through the activities of informal financial sector should be encouraged. This is done by enhancing corporate governance of the informal financial sector, good management of group leadership of the sector and punishment of defaulters so as to break even. The fear of default can also be taken care of if members can institutionalized the concept of social capital that places emphases on trust, information sharing and reduction of opportunistic behavior and facilitation of collective decision making.

Informal financial sector enhances employment opportunities. Government should encourage this institution to employ the teaming unemployed graduates in Nigeria. This can be done by organizing seminars, conferences and talk shows on how to bring informal financial institution as a way of solving unemployment in Gwer-west Local Government Area and Nigeria at large.

Members of these informal finance institutions should be encouraged by way of organizing enlightenment program to educate them on how to increase their savings and manage their investment capital to restock supplies which will enable them to expand their output and earn a stream of income to individual household which reduce their level of poverty.

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