



# **Prudent Financial Management: A Tool For Managing Thrift And Credit Co-Operative Society Of Rural Communities In Rivers State Of Nigeria**

*Dr. (Mrs.) Dokubo, Chidinma.*

Faculty Of Technical And Science Education,  
Department Of Educational Foundation, Rivers State University Of Science And Technology ,Nkpolu  
Oroworukwo, Port Harcourt Rivers State

Email: [Chidinmadokubo@yahoo.com](mailto:Chidinmadokubo@yahoo.com)

## **ABSTRACT :**

*This paper discusses the importance of prudent financial management of thrift and credit co-operative society as it contributes to the fostering economic development, promoting social justice and strengthening political democracy of the rural communities. Thrift and credit co-operative society are concerned about the rural communities in which they exist and operate with emphasis on members and non members needs. Onuoha (1998) stated that, they strive for the sustainable development of rural communities through policies that are respective of the environment and acceptable to the membership. The organization of people in a locality to solve the problems bordering on their lives and that of their rural communities is the main thrust of thrift and credit co-operative society. The needs of the people are multifarious and government alone cannot provide for all these needs due to immense financial constraints and dwindling resources. Thrift and credit co-operative self-help among members become paramount in the development agenda of rural communities especially as a source of community development for rural dwellers.*

**Keywords:** *Financial Management, Thrift and Credit Co-Operative Society, Rural Communities, Implementation Problems and Development.*

## **INTRODUCTION**

Prudent Financial Management is a tool for managing thrift and credit co-operative society of rural communities and one of the most important practices that an organization such as thrift and credit co-operative society is required to put in place. With the challenges of accountability and regulations facing today's non-profit organization, an understanding of basic prudent financial management can help to ensure that the organization is fiscally responsible. Prudent

Financial Management will help in understanding basic practices in management of thrift and credit co-operative society of rural communities and build the basic system essential for a healthy organization as it deals with wages compensation and benefits in relation to employees, board members and volunteers. This paper will discuss on the concept of financial management, thrift and credit co-operative society, rural communities, implementation problems of prudent financial management as a tool for managing thrift and

credit co-operative society, and impact of financial management on thrift and credit co-operative society of the rural communities.

## FINANCIAL MANAGEMENT

Central Bank of Nigeria (CBN) research series (1993) referred to a financial management as a set of rules and regulations and agents that interact with each other and the rest of the world to foster economic growth and development, it offers a wide range of investments options for savers and instruments for intermediating, also vital in effective management of thrift and credit co-operative society of rural communities fund, as a scarce resources. If prudent

financial management should be properly implemented in thrift and credit co-operative society, it will enhance proper management of the organization; more funds will be available for empowerment of the rural communities economically and in a sense reduce their poor conditions. For example in the year 2000, the Elu farm co-operative society in conjunction with the Thrift and Credit Co-operative Society in Omerelu Community of Rivers State, awarded scholarship to children from poor financial background, from the primary school level to secondary school level as a result of prudent financial management of thrift and credit co-operative society. Also, thrift and credit co-operative in Omerelu in Ikwerre of Rivers State, as a result of prudent financial management of thrift and credit co-operative society yearly organize quiz competition for Omerelu students where excelling students with poor financial background have had the opportunity to be assisted in their Senior Secondary School West African Examination registration (Rivers State 2009). Financial Management of Thrift and credit Co-operative Society according to Edem (2007) involved

planning, organizing, directing, staffing, controlling and budgeting system (PODSCORB).

Fayol cited in Edem (2007:7-10), explained the above concepts as follows Planning is a set of planned activities which aim at achieving the goals and objectives of a particular organization; it is also a process of studying the future and arranging the plans for future. Poor planning is often accompanied by dissipated efforts, wasted resources and poor result. Correct decisions which are basic to good planning are usually hard to reach because of the difficulty of anticipating the consequences which may result from different alternatives. Good planning in thrift and credit co-operative society is possible, therefore, only if there is proper documentation and reliable members who are able to contribute positively to the socio-economic problem of themselves and the community at large.

Organizing is the building up of the human and material resources needed for the successful attainment of the goal of thrift and credit co-operative society of rural communities. It includes the establishment of formal structural line of authority which defines what is to be done and by whom. Consequently, directing is the process of putting human and material resources in a proper perspective for the attainment of the set objectives of the thrift and credit co-operative society. Staffing is the process of recruiting experiences and well qualified persons to be placed in the proper position for the smooth operations of the thrift and credit co-operative society. According to Fayol, controlling means that everything is done in accordance with established rules and regulation. Control in thrift and credit co-operative management refers to the method of regulating, curbing and checking the excesses of individual in the pursuance of the organization

duties so as to achieve the desired result which aimed at rural community development.

Finally, budgeting is concerned with deciding on the allocation of scarce and reasonably well defined inputs to attain objectives that range from well to ill defined. The primary purpose of the planning, organizing, directing, staffing, reporting, controlling and budgeting system (PODSCORBS) in thrift and credit co-operative society is to provide an improved method for making decisions on the major policy issues in the organization and to provide effective prudent financing in order to enhance the development of rural communities.

## **THRIFT AND CREDIT CO-OPERATIVE SOCIETY**

Ossai (2008) said that, the first ever co-operative society in the traditional setting was the thrift and credit co-operative society whose aim is to reduce or eradicate factors that are caused by poverty, it is also known as the contribution of members in society. Nkom (1979), explained that, the thrift and credit co-operative society is essentially a voluntary association of people who pay a fixed subscription at a fixed place and at a regular interval, usually weekly, but monthly among salaried people. This society is known to help members in rural communities through granting of loan to acquire such items as; building materials, utensils and furniture. Some of them in rural communities have actually gotten loan which helped them to start supermarkets, purchase motor bikes for private or commercial purposes and live farming inputs.

Thrift and credit co-operative society needs to derive clear objectives and goals from their definition of function and mission, what they need is not only better people, but members who do the management job systematically and who

focus themselves and their enterprise purposefully on performance and results (Uchendu, 2002). Furthermore, they do need efficiency that is control of costs, but above all, they need effectiveness that is emphasis on the right results. Thrift and credit co-operative society enterprise must not only be seen as benevolent society, but also as society whose very existence depends upon the ability to make profit. This means that besides relying on the government for the provision of funds, they can start investing its profit-making ventures (Awa 2008).

The relationship between thrift and credit co-operative societies of rural communities and poverty reduction has further been established by scholars such as; Akinwunmi (1991), Olaleye (2004) Adeleye (1978) and Akinwunmi (2002) to mention a few. Akinwunmi (1991) cited in Ossai (2008) for instance said that, as a result of prudent financial management thrift and credit co-operative society provides loan to farmers to purchase farm implements or hire labour and cater for the various needs of the farming family. Earlier, Adeleye (1978), had observed that, this society (thrift and credit) is a sure source from which capital could be obtained periodically. Confirming this assertion, Akinsami (2002) stated that, the thrift and credit co-operative society promote the economic interest of its members and particularly, encouraged thrift savings by providing means whereby such savings may receive reasonable interest without risk and without being removed from the control of the member.

## **RURAL COMMUNITIES**

Rural communities have been subjected to so many definitions by so many authors or scholars. Ogili (2004) in Oyebamiji and Adekola (2008) defined rural community as a population living within legally established city limits where

the people have some social and economic features in common which enable them to pursue common goals. The theme rural community need assessment and can be defined as the identification of need within the rural community needs or required to have in order to be able to survive and function well in the society. These now indicate that there are certain fundamental things a rural community must have, not only to survive but to function very well because there are certain problems that may hinder or impede the rapid development of the rural communities. Some of these problems include low income, illiteracy, ignorance which may lead to lack of awareness about thrift and credit co-operative activities in the area, traditional believes and myths, absence of social amenities. The problem of poor output policies, inappropriate macro-economic, deficiencies in labour market resulting in limited job growth, low productivity and low wages in the informal sector and a lag in human resource development (Ijere 1992 in Dokubo 2010).

Other factors which have contributed to decline in living standards of the rural communities and are structural causes or determinant of poverty include increase in crime and violence, environmental degradation, retrenchment of workers, a fall in the real value of safety nets and changes in family structures. Rural communities in Rivers State share similar characteristics and their major occupation is farming which is the main source of food for the population in both rural and urban communities and yet poverty prevails in these communities. In order to alleviate the poor conditions of rural communities, the thrift and credit co-operative society as a result of prudent financial management perform the following roles and activities according to Dokubo (2010) to include provision of financial assistance to farmers in

rural communities, serving as a link or channel of government assistance to the rural communities, creating incentives for self-help training in thrift savings, training in innovations and giving out loans for small or large scale businesses. All these activities perform by the thrift and credit co-operative society help to improve the living standard of the rural communities.

#### **IMPLEMENTATION PROBLEMS OF PRUDENT FINANCIAL MANAGEMENT AS A TOOL FOR MANAGING THRIFT AND CREDIT CO-OPERATIVE SOCIETY OF RURAL COMMUNITY**

There are however, certain implementation problems that often hinder effective financial management of thrift and credit of co-operative society of an organization, according to Baridam (2002) are, the fear's and administrative problems involving apprehensiveness of any process that forces decision making, which requires microscopic scrutiny of functions, furthermore, as president or manager becomes involved in the financial management process, in that, communication and administration of the process becomes increasingly difficult. Decision package formulation is another problem, it is very difficult for the president or managers to identify work measures and evaluate data for each activity, also the costing and auditing package to ensure the proper expenditure level for the proposed activity are some of the problems that hinder the decision packages formulation. Finally ranking process is also a problem, determining, who will do the ranking to what level within each organization package and what method or procedure will be used to review and rank the package is a serious problem. However in spite of the limitations, there are a lots of benefits derived from the functions.

## IMPACT OF PRUDENT FINANCIAL MANAGEMENT ON THRIFT AND CREDIT CO-OPERATIVE SOCIETY OF RURAL COMMUNITIES

Financial management has made a very tremendous impact on the management of thrift and credit co-operative society of the rural dwellers; it involves putting money aside out of income with a view to meeting planned purchase or expense. In other words, the act of prudent financial managements of thrift and credit co-operative society makes it possible for resources to be released for the consumption of other economic units or for investment. For instance in 2001, Etche co-operative association (ECA) assisted by thrift and credit co-operative society in Rivers State as a result of financial management, assisted its members to get loan of about Hundred Thousand Naira (₦ 100.000.00) per individual to start up any business of their choice, ranging from buying palm plantation and processing the fruits into oil and buying of cassava farmland and processing the cassava into garri (Dokubo 2010). Also Ikwerre Women co-operative society in Rivers State through thrift and credit co-operative society assisted some unskilled women, widows and helpless women to receive training on tailoring, bakery, hair dressing and soap making, not only that, they were given some amount of money and procurement of working equipment (Rivers State 2009). All these efforts were made as a result of prudent financial management of thrift and credit co-operative society of rural communities.

According to Ogwumike (2001), we should perhaps mention that prudent financial management in thrift and credit co-operative society of rural communities approach has certain benefits in spite of the limitation. It promotes a more effective allocation of resources because managers have evaluated the need for each

function and have considered ways of and levels of effort in performing each activity, managers can be measured against the goals, performance and benefits to which they committed themselves. Financial management in thrift and credit co-operative society is a process that promotes the development and solution to the problem in the management of thrift and credit co-operative society enterprise. Commitment to work cannot be enforced; rather it must come as the product of the enthusiasm that an individual feels towards his job (Baridam 2002). A key factor then, in financial management of thrift and credit co-operative society is for the members to contribute to the achievement of the organization's objectives (Uchendu 2002). Such desires could however, be hindered if the individual is not motivated to maximizing his efforts, his performance is not evaluated properly for result, his needs are not matched with the various task demands and he is not remunerated on the basis of his contribution to the organizations objectives (Baridam 2002).

Owhondah, (2007:15) in his own view outline some of the advantages of financial management of thrift and credit co-operative society of rural communities as it facilitates trade and therefore specialization in production, facilitates effective management of the thrift and credit co-operative society and ensures that no rural community project is frustrated due to lack of fund, by evaluating alternative investment and monitoring activities of borrowers, financial intermediaries increase the efficiency of resources use, effectively sustains indigenization ownership control and management of the thrift and credit co-operative of rural communities, financial assets with attractive yield liquidity and characteristics encourage savings in financial form, enables investors, improve their portfolio diversification providing insurance and project monitoring information and access to a variety of financial

instruments enables economic agents to pool price and trade risk.

All these benefits and functions according to Owhonda, (2007) shows that, financial management has a lots of benefits and performs a number of functions that are essential for a modern economy by prudently managing the finance of the thrift and credit co-operative society to enhance the income of the members. For instance some of them engage in small scale businesses as a result of the assistance rendered to them by the co-operative society. The impact made by the thrift and credit co-operative society has reduced the poverty level of their members and other rural dwellers. Savings and investments are process of critical importance for economic growth. When thrift and credit co-operative society save, resources are released for productive uses (i.e. investment) instead of immediate consumption (Anyanwu 1997).

### Conclusion

On the whole, it could be rightly said that the survival of the thrift and credit co-operative society of rural communities depends on prudent financial management, also making people know how well they are performing, avoiding giving misleading formation about performance, guiding members on how to perform well, providing the infrastructural facilities necessary for the performance of the co-operative activities, matching people properly with the activities they perform, rewarding people on the basis of their contribution towards the achievement of the co-operative objective and providing grassroots participation in decision making. Therefore it is pertinent for the thrift and credit co-operative society to be adequately maintained by prudently managing the co-operative fund and for members to avail themselves (co-operators) in various routine activities which will ensure the daily

smooth running of the society which will also bring rural community development.

### RECOMMENDATIONS

1. Managers of thrift and credit co-operative society and their co-operators should plan adequately and regularly so as to take appropriate activities on poverty reduction in the life's of rural communities.
2. Thrift and credit co-operative society should ensure that resources- human; materials and finance are available and effectively mobilized for community development.
3. Thrift and credit co-operative society should ensure that resources –human, material and finance are effectively utilized by trained cooperative personnel for improved rural life or rural communities.
4. Rural communities should willingly and regularly avail themselves of thrift and credit co-operative activities and educational programmes in their areas of improved life.
5. Prudent financial management as a tool for managing thrift and credit co-operative society should be ensured through a regular and up-date provision of enough programmes in their areas of operations.
6. Managers and co-operators in thrift and credit co-operative society should be well informed through appropriate educational opportunities designed for skills development to enable them carry out meaningful co-operative activities in rural communities.
7. Thrift and credit co-operative managers should adopt effective measures towards checking

problems associated with funding, poor planning and resources management which impede effective management of thrift and credit co-operative society.

8. Financial base of thrift and credit co-operative society should be adequately widened and broadened for effective services towards rural transformation.

## REFERENCES

Adeleye, S.O. (1978). *The cooperation movement in Nigeria yesterday, today and tomorrow*; Gottingen, Vander Huric and Repert.

Akinsami, O. (2002). *The development of rural economy in Nigeria Oyo*: The Macmillan Press Ltd.

Akinwumi, J.A. (1991). *Updating cooperative statistics in Nigeria Ibadan*: Heinemann Educational Book.

Anyanwu, J.C. (1997). *Poverty in Nigeria; concepts, measurement and determinant in poverty alleviation in Nigeria*; Paper presented at the Annual Conference of Ibadan Economic Society, Held in Ibadan; pp. 17 – 25.

Baridam D.M (2002). *Management and organization theory*; Port Harcourt: Pam unique publishing company.

Central Bank of Nigeria CBN (1993). *Research Series*.

Dokubo C. (2010). *The problem of poverty in rural areas in Nigeria, the way forward*; In African Journal of professional research in human development. Port Harcourt : De-Caritas center pp 35-39 No 1, volume 6.

Edem, D. A. (2007). *Introduction to educational administration in Nigeria*; published by spectrum house ring road Ibadan.

Nkom, S. (1979). *Peasant Cooperative and Rural Development*; M.S. Thesis; Zaria: Ahmadu Bello University.

Ogwumike, F.O (2001). *An appraisal of poverty reduction strategies in Nigeria*; Central Bank of Nigeria Economic and Financial review 2(3), 4-9.

Oyebamiji and Adekola (2008). *Fundamentals of Community Development in Nigeria*; Port Harcourt University of Port Harcourt Press.

Olayele, Y.L. (2004). *Evaluation of the contribution of cooperative societies to poverty alleviation in Ibadan, Nigeria*; University of Ibadan, Ph.D Thesis, pp. 94 - 110.

Onuoha, E. (1998). *The co-operative management identity*; Enugu. Amazing Grace Printing and Publishing Company.

Ossai, A.C. (2008). *Cooperative societies and poverty alleviation*; Calabar South and Calabar Municipality Local Government Areas of Cross River State; Nigeria, Being A Study in Progress for Partial Fulfillment.

Owhonda, S.N. (2007). *Economics of educational investment in Nigeria Port Harcourt* : Aaron print, subsidiary of Aaron communication.

Uchendu, S.O (2002). *Co-operative education. A functional approach*; Lano publishing, Enugu.