

THE EFFECT OF SOCIAL CAPITAL ON ACCESS TO MICRO CREDIT AMONG RURAL FARMING HOUSEHOLDS IN ABIA STATE, NIGERIA

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ABSTRACT

The study examined the influence of social capital on access to micro credit among rural farming households in Abia State, Nigeria. A four stage random sampling technique was employed in collecting data from two hundred and four (204) rural farm households in local institutions using structured questionnaire. The data were analyzed using descriptive statistics, likert scale analysis and binary probit regression model. The research revealed that the rural farming households had access to micro credit from religious, village, farmers, age-grade, gender-based, traders associations, cooperative societies and self help groups. The study also showed that the rural farming households did not have access to micro credit from NGOs, dance group, fadama group and Parents'/Teachers' association since the critical midpoint access score was greater than their calculated mean values. The result of the mean amount of credit demanded by rural farm households vis-a vis disbursement by their local institutions showed that religious association granted the highest amount of credit (N91,950.0) to their members more than any other local institutions in the study area, while the mean amount demanded was N128,491.3. The result of Probit regression estimate of the effect of social capital and demographic factors on access to micro credit showed that the critical and significant social capital variables that influenced access to micro credit were; membership density, cash and labour contributions of households to associations, while age, occupation and history of household access to micro credit were the demographic factors that influenced rural household access to micro credit. Since social capital significantly influenced access to micro credit, policy makers interested in improving the living conditions of rural households are advised to consider promoting social capital as one relevant ingredient to achieve the Millennium development goals of reducing poverty by half.

Keywords: social capital, access, credit, effect, farming households

INTRODUCTION

A major cause of poverty among rural people is lack of access for both individuals and communities to productive assets and financial resources. One of the major problems of an average Nigerian farmer is how to obtain farm credit from formal financial institutions (Anyiro *et al*, 2014; **Oluwasola and Alimi, 2007**) This is caused by the fact that the formal credit institutions that function smoothly in developed urban areas cannot cater for the credit need of rural poor due to lack of information

about the borrowers, lack of proper collateral among the poor people which are acceptable to the formal financial institutions and there are enforcement problems in case of default. (*Tanmoyee, 2009; Adedoyin, 2006*)

For these reasons, the Nigerian government and donors set up credit programmes aimed at improving rural households' access to credit. The vast majorities of these programmes that provide credit at subsidized interest rates failed and were rarely sustainable (*Ajani and Tijani, 2009*). However, statistics attest that the demand for micro finance financial services remains largely unmet (*Buchenau, 2003; UNDP, 2004*).

The hindered access to credit from the formal financial institutions and failure of some credit programmes aimed at improving rural households' access to credit have prompted most households (including farming households) in the rural communities to organize themselves into financial groups in order to meet their financial and social needs (*Enabulele et al, 1999*). A number of farmers come together with unifying interest of improving their occupational operations, hence, livelihood and form a group or institution within their village or community levels. The motivation and the unifying interest amongst members in such group suggest like-mindedness and potential to work for and even help each other absorb variability in personal income and other economic shocks (*Emerole et al, 2013*).

Many of these local institutions and groups are social, others are economic while yet a good number serve both social and economic purposes in livelihood of their members. When the groups are social groups, they help in creating social capital which among other assets include institutional identity, relationships within, members' attitudes, and values that govern interactions among them as a people. These contribute to economic and the social development of the communities (*Grootaert and van Bastelaar, 2002*).

Social capital is a sociological concept which has been applied to a variety of issues in recent times. *Olomola, (2001)* defines the concept as the aggregate or the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationships of mutual acquaintance or recognition. Intuitively, the basic idea of "social capital" is that one's family, friends, and, associates constitute an important asset, one that can be called upon in a crisis, enjoyed for its own sake, and/or leveraged for material gain (*Woolcock, and Narayan 2002*). Despite the multiplicity of views about social capital the consensus is growing in the literature that social capital stands for the ability of actors to secure benefits by virtue of membership in social networks, groups or other social structures.

Social capital, either through its function in social control or accumulation of mutual benefits is critical for successful operation of group lending and enables credit constrained households access to funds (Isham, 2002). According to Narayan and Pritchett (1999), social capital as reflected in associational activity may lead to less imperfect information and hence lower transactions costs and a greater range of market transactions which can in turn lead to better outcomes. For instance, social links among borrowers may increase their ability to participate in credit transactions that involve some uncertainty about compliance. Specifically, social capital can lead to a better flow of information between lenders and borrowers and hence less adverse selection and moral hazard in the credit market. Social capital also potentially expands the range of enforcement mechanisms for default on obligations in environments in which recourse to the legal system is costly or impossible.

This study seeks to answer the following research questions: what are the socio-economic characteristics of rural farm households' **members of local institutions**; what is the level of access to credit from local networks by rural farming households; what is the average amount of farm credit accessed by rural farming households from local institutions available in their area; and are there social capital and demographic factors influencing access to micro credit among rural farming households?

In the light of the foregoing, the need to address the above research questions becomes imperative. Therefore, the study was meant to; describe the socio-economic characteristics of rural farming households' **members of local institutions in Abia State**; determine the level of rural farming households' access to credit from local networks in the study area; determine the amount of credit demanded by rural farming households vis-a vis disbursement by their local institutions; and determine the effects of social capital and other demographic variables on access to micro credit among rural farming households in the study area. Some empirical studies relate social capital with indirect outcomes such as welfare proxied by household expenditure (Grootaert, 1999; Yusuf, 2006), however, this study focus on the relationship between social capital and one of its direct outcomes (access to credit).

Materials and Methods

The study was conducted in Abia State, Nigeria. The state is located in the Southeastern Nigeria and lies between longitudes 04° 45' and 06° 07' East of the Greenwich Meridian and Latitudes 07° 00' and 08° 10' North of the equator. The state is equipped with young and vibrant population who are largely homogeneous in socio-psychological characteristics with a lot of farmers and local organizations. Abia State is divided into 17 Local Government Areas, grouped into three (3) agricultural zones namely, Ohafia, Umuahia and Aba zones. Its population stood at about 2,883,999 persons with a relatively high density of 580 persons per square kilometer (NPC, 2006). The people are predominantly farmers and have the potentials for the production of agricultural

produce and products such as palm oil, cassava, vegetables, palm kernel, yam, rice and also engage in food processing.

The study adopted a four stage random sampling technique in the selection of local institutions and rural farm households. In the first stage, two Local Government Areas were selected randomly from each of the three agricultural zones of the state, thus giving a total of six LGAs. The second stage involved a random selection of two autonomous communities from each of the Local Government Areas, giving a total of 12 autonomous communities. From each of the chosen communities, a list of local organizations was obtained from the village secretaries who were the key custodians of village information. These formed the sampling frames for local institutions to which farm households belong and from which samples of two local organizations were randomly selected in each of the selected communities, thus giving a total of 24 local institutions. The last stage of the sampling comprised the random selection of ten farming households in each of the selected local organizations. In all, a grand total of two hundred and forty (240) farm households were sampled for the study. However, 204 pieces of questionnaire were found usable for analysis. A household was recognized as an economic unit consisting of a group of persons who live in the same dwelling and dine together for at least 3 of the 12 months in a year. This concept is in line with the definition put forward by De Janvry and Sadoulet (2001) in their study of income strategies amongst rural households in Mexico.

The study employed primary data for its analysis. The data collected were analyzed both descriptively and inferentially. Descriptive statistics such as frequencies, means, tables and percentages were used to analyze the socio-economic profiles of the rural farming households in local institutions as well as the amount of farm credit accessed by rural farm households from local institutions. A five-point Likert type scale analysis was employed to determine the level of access to micro credit from local institutions while binary probit regression model was employed to analyze the effect of social capital and other demographic variables on the probability of access to micro credit.

Analytical model

The likert scaling type is a method of ascribing quantitative values to qualitative perception to make it amenable to statistical analysis. The use of a five point likert scale was adopted to determine the

level of assess to micro credit. The five (5) points on the scale were weighed according to the degree of accessibility. The following scaling procedure according to Anyiro *et al* (2014) was adopted: very high =5; high=4; moderate = 3; low= 2 and not accessible =1. The values of the five responses were added and further divided by 5 to obtain 3.0, which was regarded as the mean accessibility level. Rural farm households with accessibility score of 3.0 and above were regarded as having reached average score of accessibility, while farm households with accessibility score of less than 3.0 had no access or hindered accessibility.

The total raw score of the rural farming households' credit access level using the five-point Likert scale is represented as:

$$\text{Total access raw score} = 5(N_1) + 4(N_2) + 3(N_3) + 2(N_4) + 1(N_5)$$

The mean was calculated for each of the local institutions;

$$\text{Mean} = \frac{5(N_1) + 4(N_2) + 3(N_3) + 2(N_4) + 1(N_5)}{S}$$

Where;

N = Number of farming households with respect to their identified level of credit access

S = total sample size of farming households.

Probit regression model was used to measure the effects of social capital and other demographic variables on the probability of access to micro credit. It is appropriate when the response takes one of only two possible values representing presence or absence. The model was adopted as used by Gujarati (2003) and Ajani and Tijani (2009).

$$P_i [y=1] = [Fz_i]$$

Where,

$$Z_i = \beta_0 + \beta_1 X_1 \dots\dots\dots (3)$$

$$y_1 = \beta_1 + \beta_2 X_2 + \dots\dots + \beta_k X_k \dots\dots\dots (4)$$

y_i^* is unobserved but $y_i = 0$ if $y_i^* < 0$, 1 if $y_i^* = 0$

$$P(y_1 = 1) = P(y_i^* = 0) \\ = P(u_1? - \beta_1 + \beta_2 X_2 + \dots\dots + \beta_k X_k) \dots\dots\dots (5)$$

$i = 1, 2, \dots, 240$

Y_i = households' access to micro credit (Dichotomous variable 1= if a farming household accessed micro credit from a local institution; otherwise = 0)

X_1 = Sex (1=Male; 0=Female)

X_2 = Age of household head (Years)

X_3 = Household size (number)

X_4 = Years of formal education (Years)

X_5 = Marital status (Yes =1 if Married, 0=Otherwise)

X_6 = occupation of household head (1= farmer, 0=non farmer)

X_7 = life-cycle of household's access to micro credit (years)

S_1 = Meeting attendance of households to associations (number/year)

S_2 = Decision-making index (%)

S_3 = Membership density of households in association (%)

S_4 = Cash contributions of households to associations (naira)

S_5 = Labour contributions of households to associations (man hours/year)

S_6 = Heterogeneity index of associations (%)

β_1 = Coefficient of exogenous variables

μ = error term

Social capital description and measurement

This study focused on six of the social capital indices adopted by Okunmadewa *et al.*, (2005) and Yusuf, (2008). The social capital (SC) variables used include: density of membership, heterogeneity index, labour contribution, cash contribution, meeting attendance index and decision making index. The measurement of each is as described below.

a) Density of membership: This was measured by the number of active household membership in existing associations. A complete inventory of all associations was made at local level institutions; each household was given that inventory and asked which associations they are members. In other words, the proportion of membership of associations by individuals was found and rescaled to 100.

b) Heterogeneity index: The questionnaire identified the three most important associations for each household. For those associations, a number of supplementary questions were asked including about the internal homogeneity of the group. This was rated according to twelve criteria: neighborhood, kin group, same occupation, same economic status, same religion, same gender,

age, same level of education, cultural practices, belief and trust. Hence, for each of the factors a yes response was coded 2 while no was coded 1 (Lawal *et al* 2009). A maximum score of 24 for each association represents the highest level of heterogeneity. The score of the three associations was averaged for each household by dividing by maximum score 72 to obtain the index. The resulting index was then multiplied 100 (whereby a zero value represents complete homogeneity and 100 correspond to the highest heterogeneity).

c) Decision-making index: It has been argued that associations, which follow a democratic pattern of decision-making, are more effective than the others. The questionnaire asked association members to evaluate subjectively whether they were “very active” “active” or “not very active” “passive” “very passive” or not participating in the group's decision-making. These responses were scaled from 4 to 0, respectively and averaged across the three most important groups in each household. The summation was calculated from subjective responses from the households' members on their rating in participation in decision making in three important associations to them. The responses were averaged across the three associations and multiplied by 100 for each household.

d) Cash contributions' index: This was achieved by taking records of the payment of membership dues and other contributions. The summation of the total cash contributed to the various associations, which the household belong was calculated. The actual contribution for each household was rescaled by dividing the amount by the maximum fee in the data and multiplying the resultant fraction by 100.

e) Labour contributions' index: This is the number of days that individual members belonging to institution claimed to have worked for their institutions. This represents the total numbers of man-hour's days worked by household members. This was also rescaled to 100 using the same method of cash contributions.

f) Meeting attendance index: This index was measured by finding the number of times members of association actually met as a group over a period of time This was obtained by summing up of attendance of the household members at meeting and relating it to the number of scheduled meetings of the associations. The value was multiplied by 100.

RESULTS AND DISCUSSION

Socio-Economic Characteristics of Rural Farm Households

The socio-economic characteristics of rural farming households that are members of local institutions in the study area are shown in Table 1.

Table 1: Socioeconomics of rural farming households in local institutions in Abia State Nigeria

Variables	Mean
Age (years)	40.79
Household size (number)	3.79
Number of Years spent a in local institution	23.12
Gender of household head	Percentage
Male	48.0
Female	52.0
Educational level	Percentage
No formal education	9.3
Primary education	21.67
Secondary education	27.5
Tertiary education	41.7

Source: Field Survey data, 2013:

The table showed that 52.0 percent of the rural farming household heads in local networks were males while 48.0% of them were females. This implies that male headed farm households were more interested in membership of local level institutions and possessed the ability to form social capital than female headed households. This result is in consonance with Christoforou (2005) that women headed households tend to have significantly lower membership and levels of overall civic participation in social networks than males. The mean age of rural farming households was 40.79 years. This is an indication that the farming households involved in informal social networks in the study area were mostly middle aged that were within the active productive work force. Majority (90.7%) of the rural farming households in local institutions were literate possessing formal education that ranged from primary school education to tertiary school education with a mean household size of 3.79 persons. The result also showed that the mean number of years spent in local institutions by the sample households was 23.12 years. This indicates a relatively high

membership experience in social networks in the study area. It has been reported that higher social capital benefits accrue to individuals with a relatively longer period of local organization affiliation (Akpabio, 2008). It may be noted that individuals do not affiliate without expectations of some social, psychological or material rewards.

Levels of access to micro credit from local networks

Entries in Table 2 showed the level of access to micro credit from various local networks among rural farming households in the study area. Results showed that the level of access to credit for the various identified local institutions ranged between 1.0 and 3.95. Specifically, the level of access to micro credit from religious associations was the highest in the study area, with a mean access score value of 3.95. This was followed by access to credit from village associations (3.66); farmers' associations (3.57); age grade associations (3.31); gender based associations (3.30); cooperative societies (3.18); self help groups (3.15) and traders' associations (3.14). The level of access to credit for the other local institutions was less than the critical access mean score of 3.0 and these include: access to credit from NGOs (2.65); Fadama group (2.75); Parents/teachers association (1.0), and dancers' group (1.0). The high rate of access to farm credit observed from majority of local institutions under study supports the general assumption that individuals affiliated to organizations primarily because of their perceived economic benefit. However, access to credit is regarded as one of the key elements in raising income and productivity (DBSA, 2005).

Table 2: Levels of access to micro credit from local institutions among rural farming households in Abia State, Nigeria

Local institution	Always	Often	Occasionally	Seldom	Never	TARS	Mean
Religious meetings	495 (48.5)	156 (19.1)	90 (14.7)	58 (14.2)	7 (3.5)	806	3.95
NGOs	95 (9.3)	256 (31.4)	75 (12.3)	38 (9.3)	77 (37.7)	541	2.65
Age grades	400 (39.2)	96 (11.8)	72 (11.8)	64 (15.7)	44 (21.5)	676	3.31
Gender based	290 (28.4)	220 (27.0)	66 (10.8)	56 (13.7)	41 (20.1)	673	3.30
Dance groups	- (0.00)	- (0.00)	- (0.00)	- (0.00)	204 (0.00)	204	1.00
Village associations	420 (41.2)	204 (25.0)	30 (4.9)	20 (4.9)	73 (35.8)	747	3.66
Cooperatives	250 (24.5)	228 (27.9)	81 (13.24)	40 (9.8)	50 (24.5)	649	3.18
Fadama group	295 (28.9)	80 (9.8)	69 (11.3)	32 (7.8)	86 (42.2)	562	2.75
Farmers' association	430 (42.2)	136 (16.7)	78 (12.7)	52 (12.7)	32 (15.7)	728	3.57
Parents'/Teachers' association	- (0.00)	- (0.00)	- (0.00)	- (0.00)	204 (0.00)	204	1.00
Traders' associations	225 (22.1)	216 (26.5)	108 (17.7)	46 (11.3)	46 (22.5)	641	3.14
Self-help groups	275 (27.0)	208 (25.5)	57 (9.3)	50 (12.3)	53 (26.0)	643	3.15

Source: Field Survey Data, 2013

Decision Rule 3.0 and above = Access

n=204

Decision Rule <3.0 = no/hindered access

Figures in parenthesis are percentages

TARS= Total Access Raw scores

Always 5, Often 4, Occasionally 3, Seldom 2; Never 1

Loan size demanded and disbursed by local institutions

The mean amount of credit demanded by farm households vis-a vis disbursement by their local institutions in Abia state is presented in Table 3. The table revealed that the religious associations granted the highest amount of credit (N91,950.0) to their members more than any other local institutions in the study area, while the mean amount demanded was N 128,491.3. The reason could be attributed to the involvement of virtually all household members in religious activities and the dire need to reinforce their faith and belief in God and giving the desired assistance to their members. Also, farmers' associations, age grades, village associations and gender based groups disbursed an average amount of N61,300.51, N45,975.38, N36,780.3, 30,650.25 respectively to their members, while the mean amount demanded was N 85,660.89, N64,254.68, N51,396.53 and N42,830.5 respectively. This indicates high influence of group dynamic effects.

Table 3: Mean Distribution of loan Applied and disbursed by local institutions

Type of Local Institution	Mean Total amount applied by households (N)	Mean total amount granted by institutions (N)
Religious meetings	128491.3	91950.76
NGOs	-	-
Age grades	64254.68	45975.38
Gender-based	42830.45	30650.25
Dance groups	-	-
Parents /Teachers association	-	-
Village associations	51396.53	36780.3
Cooperative societies	34264.36	24520.2
Fadama groups	30233.26	21635.47
Farmers associations	85660.89	61300.51
Trader s associations	32122.83	229 87.69
Self -help groups	36711.81	26271.64

Source: Field Survey Data, 2013

The other local institutions (self-help groups, cooperative societies, traders' associations and fadama groups) granted a mean loan of N26,271.64, N24,520.2, N22,987.69 and N21,635.47 respectively to their members, while the mean loan amount applied to these local institutions were N36,711.81, N34,264.36, N32,122.83 and N30,233.26 respectively. Overall, the result showed that

these local institutions' micro credit nearly bridged the credit supply and demand gap in the rural area.

Social Capital and Access to Micro Credit

The binary probit regression model was applied to explain the effect(s) of social capital and demographic factors on access to micro credit in the study area. The result is presented in Table 4. Overall, the model predicted 71.41 percent of the sample correctly and posted a log likelihood value of -102.52108 and a goodness of fit chi-square value of 61.04 which is statistically significant at 1.0% level. In the model, six out of twelve explanatory variables were statistically significant at given levels and these include age, occupation, history of household access to micro credit, membership density of households in association, cash contributions and labour contributions of households to associations. Specifically, The coefficient of age (-0.0054) was negative and statistically significant at 90.0% confidence level. The sign is in tandem with *a priori* expectation. It implies that the probability of the rural farm households that belong to rural associations in accessing micro credit decrease with increasing age. This indicates that the younger farm households had more access to micro credit than the older farmers. This result is in contrast with Onyenucheya (2005) that older farmers are considered better credit risks in the sense that they are rational decision-makers and have established reputation in the community in the proper use of credit. Incidentally, micro credit institutions in Nigeria give no much emphasis on age as compared to possession of collateral (**Ibrahim and Aliero, 2012**).

Unexpectedly, the coefficient (0.1432) of primary occupation was positive and significant at 10.0 % alpha level. The positive coefficient of this variable indicated that being a farmer increases the probability of obtaining micro credit from local institutions. This may be attributed to the fact that majority of the rural populace in the study area depend entirely on farming and farming activities for survival and generation of income, and as such account for the posture of the result. This result contradicted general assumption and the observation of Ajani and Tijani (2009) that being a farmer reduces the chances of accessing micro credit, due to uncertainties associated with agricultural activities in Nigeria which make farming a risky business.

The coefficient (0.0781) of history of households' access to micro credit had positive relationship with accessing micro credit in the study area and was significant at 1.0% probability level. This implies that households' credit history (years of households access to micro credit) increase the

probability of accessing micro credit. This also showed that as the years of borrowing increases, the probability of obtaining further micro credit also increases. This agrees with *a priori* expectations and much in tandem with Nwaru (2004) and Essein (2009) that the number of years an individual has been involved in borrowing may give an indication of the practical knowledge he/she has gained on how to overcome the problems associated with borrowing at minimal costs. Such practical knowledge would help him to handle loans better and have an edge over other loan applicants. Also, the consistency in borrowing and relationship developed over the years with lenders would critically sort them for honesty and genuineness. Nwaru(2011) observed that this would lead to reduction in loan delinquency and default.

The coefficient (0.3937) of Membership density of households in association was positive and statistically significant at 90.0% confidence level. This showed that an increase in membership of association by farm households will lead to an increase in probability of obtaining micro credit. This result was in conformity with *a priori* expectations. In line with the view of Yusuf (2006), additional membership of farm households in associations increases the probability of access to credit at local level institutions.

Households' cash contributions to associations is presumably a sign of greater interest in the associations and serves as a collateral effect for households wanting to borrow money. Contrary to *a priori* expectations, cash contribution of households to associations had a negative coefficient (-0.3278109) and were highly statistically significant at 1.0% alpha level. This implied that cash contributions made by rural farming households to associations decreased the probability of access to micro credit. It is likely that the farm households in local level institutions in the study area have not made adequate financial contributions in their institutions due to endemic poverty, hence reduced their access to credit. This result is not in conformity with Akinyemi *et al* (2012) that obtained a positive relationship between cash contributions and access to micro credit among grain sellers in Ibadan, Oyo, State, Nigeria.

The coefficient (0.8774) of labour contributions to associations was significant at 1.0% level of significance. This implied that an increase in man-day labour contributions to associations will increase the probability of obtaining micro credit. It is likely that the local institutions in the study area regard households labour contribution to associations with respect to loan insurance. This result was in tandem with the findings of Ajani and Tijani (2009) who obtained a positive effect of labour contributions on access to micro credit in Ekiti state, Nigeria.

Table 4: Binary Probit Regression Coefficients of Social Capital Factors That Affect Access to Microcredit in Abia State

Variable	Estimated coefficients	Standard errors	Z-ratios	P> z
Constant	-0.4146728	0.8591289	-0.48	0.629
Gender	0.0283469	0.0723293	0.39	0.695
Age	-0.0054495*	0.0032816	-1.66	0.097
Household size	0.0032153	0.0168326	0.19	0.849
Educational level	-0.0055563	0.0062133	-0.90	0.371
Marital status	0.1004812	0.0903249	1.11	0.267
Occupation	0.1432066*	0.0845495	1.75	0.081
History of households access to micro credit	0.0780639 ***	0.0136339	5.16	0.000
Membership Density of households in associations	0.3937375*	0.2156687	1.83	0.068
Meeting attendance of households in association	0.0003158	0.0018211	0.17	0.863
Decision-Making index	-0.0012198	0.0018771	0.65	0.516
Cash contributions of household to association	-0.3278109***	0.0359976	-11.20	0.000
Labour contributions of household to association	0.8773536***	0.109995	7.98	0.000
Heterogeneity index	0.0114465	0.0077558	1.48	0.140
Number of observations at one:	131			
Number of observations at zero:	73			
Pseudo R ²	0.2294			
Log likelihood:	-102.52108			
Chi ² (12)	61.04***			
Cases predicted correctly (%):	71.41			

Source: Field Survey data, 2013.

*** Significant at 1.0% level; ** Significant at 5.0% level; * Significant at 10.0% level

CONCLUSIONS

The research had shown that the rural farm households had access to credit from religious, village, farmers, age-grade, gender-based, traders associations, cooperative societies, self help groups. The critical and significant social capital variables that influenced access to micro credit were; membership density, cash contributions and labour contributions of households' to associations. Meanwhile, age, occupation and history of household access to micro credit were the demographic factors that influenced rural household access to micro credit. The study supports findings that in addition to information and other benefit derived from local networks, it can be a source of obtaining credit. However, belonging to local network or association will improve the probability of access to credit for members which can be channelled towards improving their livelihood activities. Therefore, policy makers interested in improving the living conditions of rural households are advised to consider promoting social capital as one relevant ingredient to achieve the Millennium Development Goals of Reducing Poverty by half.

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