

## **Access and impact of micro credit on poverty alleviation among farmers in kirfi local government area of Bauchi State.**

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**Abstract:** *This study was conducted in order to examine the role micro-credit on poverty alleviation among farmers in Kirfi Local Government area of Bauchi State. Survey approach was employed to collect data from the respondents sample was collected through cluster sampling technique from the accessible population such as cooperative groups, farmers associations, and woman groups who are mainly the beneficiaries of micro finance from nine villages. A total of 100 questionnaire were administered out of which ninety five (95) were retrieved and used for the purpose of analysis. Data collected was subjected to analysis by use of relevant statistical tools such as percentages, pie chart presentations and bar charts. The result shows that 42.1% of the respondent obtained their loan from Bank of Agriculture, 21.1% of the respondents indicated micro finance banks, another 21.1% of the respondent indicated cooperative societies, 10.5% of the respondent indicated relations, and 5.3% indicated neighbors as their main sources of credit facilities. The result indicates that 45% respondents identified improved purchasing power of farm implements as the major impact of micro credit on their poverty alleviation status, 23.2% identified improved purchasing power of improved seed as their major impact of micro credit on their poverty alleviation level. The result also indicated that 36.8% of the respondents indicated improved feeding for their entire household as a result of the micro credit, 31.6% indicated increased purchasing power of household items while the remaining 31.6% indicated improved education of their children as the main impact of micro credit on their household. However, 47% of the respondents indicated that their major constraint in accessing loan is that there are no available Agricultural banks in their locality where they live, 21.1% indicated that there are bureaucratic bottlenecks that serve as a major constraint to their accessing loans from formal institutions. Forty seven point four percent (47.4%) of the respondents indicated inadequate funds as their major constraint in accessing loans from informal institutions, while 15.8% indicated that short repayment period is a major obstacle to accessing loans from informal institutions. It is recommended that government operate Agricultural Banks in all the local government areas of the state for easy access of credit facilities to farmers, and should reduce the bureaucratic bottlenecks in the processing of the loans to farmers.*

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### **I. Introduction**

Agriculture is a major contribution to Nigeria cross domestic product and small scale Farmers play a dominant role in this contribution (Rahiyi and Fakayode, 2009). But their productive and growth are hindered by limited access to credit facilities (Odoememen and Obinne, 2010).

Nigeria being a developing country and the most populous nation in sub-Saharan Africa, equally has the highest poverty rate. The 2006 National census gives Nigerian population at 140 million. However, 7.0 million of the population lives below poverty line out of the 7.0 million Nigerians living below poverty line 72% are spread across the 19 Northern states compared to 435 recorded in the 17 southern states. By implication, it means poverty is more pronounced in the northern states than the rest of the parts of the country (UK essays, 2014). Indeed, it is estimated that over 70 percent of Nigerians are classified as poor, and half of this number live in absolute poverty (World Bank, 2009; Landes, 2010) poverty is particularly severe in rural areas, where up to 80% of the population live below the poverty line and with limited access to social services and infrastructures (Adam, 2007; Liffledfied 2005) the Rural populace depends mainly on agriculture especially peasant agriculture for food and income (Albanese and On, Woke, 2014).

According to Kudi (2009); he assented by citing Fos (1996) that "agricultural development is the foundation for economic development and the agricultural sector is undoubtedly the prime area of concern importance of this sector and the fact that 72% of Nigerian households which are engaged in agriculture, most of these farmers are wallowing in object poverty".

According to Ayegba (2013) he stressed the importance of farm credit by saying that it "plays a crucial role in agricultural and rural development as it enable farmers reap economies of scale, venture into new technologies and empower them to provide utilities for a wider market, While Adegeye and Ditto (1985) described agricultural credit as the process of obtaining control over the use of money, goods and services in the present in exchange for a promise to repay at a future date. A look at the breakdown of the figure shows a steady increase in the micro credit outreach: from 7.6 million in 1997 to 92 million in 2004 (UK essays, 2014). While

the breakdown of the 92million is as follows: 81.5million were in Asia, 7million in Africa and the Caribbean (UK. essays, 2014) yet in Nigeria, the situation of the access to micro credit leaves much to be desired.

Considering the importance of agriculture to the Nigeria economy, various government (federal and state) have attempted implementing different programmers towards development the agricultural sector. Knowing full well that the agricultural sector is central to the economic activities in Nigeria contributing between 31-42% of gross domestic product (GDP) between 2005- 2008. (Ugbajah and Ogwumba, 2013) besides the provision of paid and self employment to over 70% of its population (CBN, 2005; CBN 2007; Fresh plaza, 2008; Okoji and Cheta 2008).

Some of the programmers introduced by government include:

- a) Agriculture credit guarantee scheme fund (ACGSF).
- b) Agricultural credit scheme
- c) Agricultural credit support scheme
- d) Nigeria Agricultural cooperative and rural Development bank (NACRDB)
- e) National economic empowerment Development strategy (NEEDS) amongst others

#### **Agricultural Credit Support Scheme (ACCS)**

This scheme was established in 2006 for financing large agricultural projects such as management of plantations, cultivation, or production of crops, livestock, fisheries, farm machinery and live service (Ugbajah, 2013). It is an initiative of the federal government and the central bank of Nigeria with the full support and participation of the bankers committee (Ayegba, 2013) Access was introduced to enable farmers exploit the untapped potential of Nigeria's agricultural sector, reduce inflation, lower the cost of agricultural production (i.e. food items), generate surplus for export, increase Nigerians foreign earnings as well as diversify its revenue base. (Ayegba, 2013)

#### **Agricultural Credit Guarantee Scheme Fund (ACGSF)**

The Agricultural credit Guarantee scheme fund was established in 1978 using Decree 20 of 1978. Using Decree No. 20 of 1977. The fund is managed by the central bank of Nigeria. Between 1978 and 1989 when the government deregulated the financial system banks started shying away from ending to the agriculture due to the perceived risk. In the process of revving the scheme, some innovations were introduced such as:

- Interest Draw back
- Trust fund model
- The self- help group linkage banking

Interest draw back was meant to reduce effective borrowing rates without the complication of introducing dual interest rate regime or contradicting the existing deregulation policy of the government (AYEGBA 2013).

Trust fund is a needed framework for enhancing credit supply to the agricultural and rural sector of the economy. Under the model, oil companies, state, local government and non- government organization (N G O s) place fund in trust with lending bank to augment the small group- saving of the farmer as security for agricultural wars (AYEGBA, 2013).

#### **Commercial agriculture credit scheme (CACS)**

Commercial Agriculture credit scheme (CACS) was establish in 2009 by the central bank of Nigeria (CBN) in collaboration with the federal ministry of Agriculture and water resources (FMA and WR) to provide finance for the country's agricultural value chain (production, process storage and marketing) the main objective of the scheme was to:

- a) Increase output, generate employment, diversity Nigerian foreign exchange base, raise the level of foreign exchange aiming and provide input for manufacturing and processing on sustainable bases.
- b) Reduce the cost of credit in agriculture production.
- c) Enhance national food security.
- d) Fast- track the development of the agriculture sector of the Nigerian economy (AYEGBA, 2013).

The borrowing rate is 14% with the central bank of Nigerian (CBN) while the borrow pay 8% at repayment. However, access to micro constrain militating against rural farmer agriculture production (IDACHEBA 2006 ANAMBARA STATE GOVERNMENT, 2008). Yet agriculture credit enhances productivity and promote standard of living by breaking scale farmer (Ugbaja, and Chidebula 2012). According to Odeomenen and Obinne (2010) one of the reason for the decline in the conurbation of agricultural to the Nigerian economy is the lack of a stable national credit policy and paucity of credit in situation which can assist famers.

In order to compliant the effort of the government, since 1980s non- government organization (NGOS) have emerged in Nigerian to champion the course of the micro and rural entrepreneur with a shift from the supplied approach to a demand driven strategy. The number of NGOs involve in micro finance activities has increase in recent joins due largely to the in ability of the service needed by the low income group and the poor, and the development partner among others as noted Agbeze and Onwuka (2014)

### **Statement of the problem**

The millennium development goals of minting extreme poverty by the year 2015 seem to be a mirage looking at the poverty profile of farmers in the country. Despite several government intervention programs to tack poverty the number of people living below poverty line seem to be on the increase as the year go by.

### **Objective of the study**

The general objective of this study is to examine the access and impact of micro credit on poverty among famer in Nkirfi local government of Bauchi state. The specific objectives are:

- A) To examine the access to credit by farmer in Kirfi Local government area.
- B) To determine the impact of micro credit on the house hold and agriculture enterprises engage upon by the farmer in the study area.
- C) To identify the constraints faced by the famer in accessing credit facilities in the study area.

## **II. Methodology**

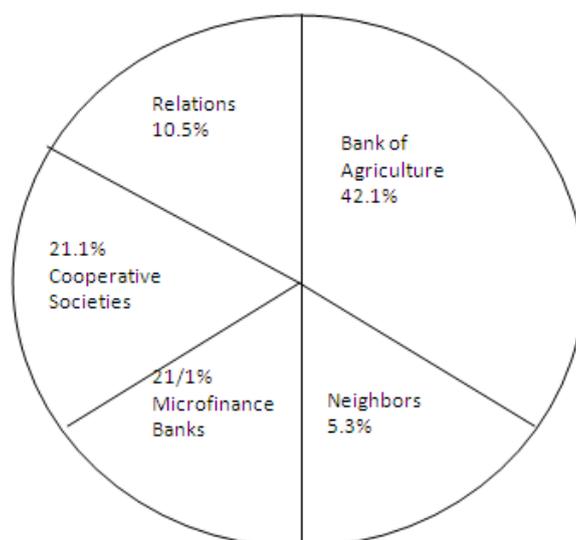
The study was conducted in Kirfi L. G .A Kirfi is a local Government Area of Bauchi state, Nigeria bordering Gomez state in the East. Its head averts is kirfi town (kirfin kasa). It has an area of 2, 371 km<sup>2</sup> and a population of 147,618 at the 2006 census. (Wikipedia. 2014) The North easterly line of equal latitude and longitude passes through the local Government Area I.e between latitude 9° 3' and 12° 3' North and longitudes 8° 50' and 11° east. (Wikipedia, 2014)

Main daily temperatures range from 29.2°c in July and August to 37. 6 °c in March and April. The mean daily minimum ranges from about 11.7 °c in December and January to about 24.7°c in April and May. Humidity ranges from about twelve percent (12%) in February to about sixty eight percent (68%) in August. The rainy months are May to September, when humidity ranges from about 37percent to 68%. Monthly rain fall ranges from 0.0 mm in December and January, though only traces of less than 0. mm in February and November, to about 343mm in July. On set of the rains is often in March, while they end virtually by October. Radiation is fairly even throughout the year, ranging from about 11. 3mm in July to about 18. 7mm in April, even though it is relatively highest in March,, April and may. While evaporation ranges from 2.4mm in July and August to about 15. 7 mm in March, with the month of January being the period of greatest evaporation (On line Nigeria, 2014).

Survey approach was employed to collect data from the respondents sample was collected through cluster sampling technique from the accessible population that's constitute small scale farmers such as cooperative groups, farmers associations, and woman groups who are mainly the beneficiaries of micro finance from the following villages: Gawo, kirfin gasa, cheledi, wuro, Madaki , zamani Bukakko, Bedoji, Baba, Badara, Guyaba, Sindigawo. Data collected was subjected to analysis by use of relevant statistical tools such as percentages and pie chart presentations.

## **III. Result and Discussion**

Figure 1 indicates that 42.1% of the respondents identified bank of Agriculture as their major source of micro credit in their community, twenty one point one percent (21.1%) of them identified cooperative societies as their major sources of micro credit, another twenty one point one present (21.1%) accessed micro credit from micro finance banks, ten point five percent (10.5%) accessed microcredit from relations and five point three percent (5.3%) accessed micro credit from neighbors. This result disagrees with Ayegbas (2013) result which stated that private money lenders constitute 53.33% of sources of micro credit among rural farmers in Nigeria. By implication if the government will make accessible Bank of Agriculture to rural areas of Nigerian and the study area in particular, there shall be increase accessibility of the loans to rural farmers. Also, government need to sensitize rural farmers through radio broadcasting about the availability of Bank of Agriculture in serving their purpose of collecting loans for agricultural and other purpose at a lower interest rate.



**Figure 1:** A pie chart indicating the accessibility of micro credit of respondents

**Impact of micro finance on Farmers poverty alleviation status**

Table 1 indicates that 45% of the respondents identified purchase of farm implements as the main impact of microcredit on their agricultural enterprise, twenty three point two percents (23.2%) identified purchase of improved seed as the major impact/ use of the micro on their agriculture enterprise.

In the same vein, thirty six point eight percent (36.8%) of the respondents identified improved feeding as the major impact of micro credit on their households, while thirty percent (30%) indicated increased purchase household items such as chairs, motorcycle, kitchen utensils and bedding, another thirty percent (30%) of the respondents identified improved educational status of their children since they were able to sponsor their children in school better compared to before. This result agrees with Kudi et al (2009) which studies the impact of UNDP micro finance programme on poverty alleviation among farmers in selected local government areas of Kaduna state. In their result the fund that 48.1% of the respondent identified that the improvement very much twenty five point nine percent 25.9% also indicate much improvement finding pendent identified s training in school was one 40.5% the impact of the microfinance house hold income in a similar light indicated of the Kudi et al (2009) agrees of Kudi el al of this study chemical and cost of hired labor in selecting Local government areas of Kaduna state after collecting the loans. According to state to Kudi et al (2009) the result of their study indicate that the equation respondent cross margin ad other purpose at lower in interest rate rose from ₦ 48,609.30 to ₦ 189,187.00 for those who participate in loan collection. This implies that micro credit programmed had a positive impact on the of respondent which show on the famer income.

**Table 1: Impact Of Micro Credit On Famer Poverty Alleviation Status**

Impact on agricultural enterprise	frequency	%
- Purchase of improve seeds	22	23.2
- Purchase of farm implement	43	45
- Improve post harvest tool	20	21.1
- Improved hiring of farm tools	10	10.5
<b>Total</b>	<b>95</b>	<b>100</b>

**Impact on house hold**

- Improve feeding	35	36.8
- Increased purchase of house item	30	31.6
- Improved education of children	30	31.6

**Constraints faced by farmer in accessing micro credit facilities**

Figure 2 show that 47.4% of the respondent identified usability of agriculture bank in their community as the major challenge to their accessing micro credit in their locality, twenty one point one percent (21.1%) of the respondent identified bottle necks as a major challenge which and up in late approach at the find from micro finance institution. While 47.4% of the respondent identified inadequate credit found as a major challenge collection loan informal micro finance institution governmental organization, money lender private e.t.c point



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