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ACCESS TO MICROCREDIT- A SURE WAY OF BREAKING THE VICIOUS CIRCLE OF POVERTY AMONG FARMERS IN ETHIOPE EAST LOCAL GOVERNMENT AREA, DELTA STATE, NIGERIA.

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ABSTRACT

The study was carried out to examine access to microcredit in alleviating poverty among farmers in Ethiope East Local Government Area of Delta State. Data were collected through primary and secondary sources. Primary source was through structure questionnaire and personal interview while the secondary source was through textbooks, journals, magazines an internet sources. Seven (7) Town were randomly selected from the study area. In each of the selected towns ten (10) respondents were randomly selected to make a sample size of 70. Data obtained from the study were presented with simple descriptive statistics such as means and frequency table. The hypothesis was tested with chi-square analysis. Result of the study showed that there were more males (67%) than females (33%) with majority of them within the age of 41years to 50years (69%). About 89% of the respondents were married. The remaining 7% and 4% were widows and single respectively. The study also revealed that majority of the respondents receive loan from co-operative societies while few respondents received from banks. The amount ranges from N50, 000 to N500, 000 and above. The study further showed that interest rate vary from 5% to 10% and 11 to 15% per annum for most cooperative societies while for the banks money lenders it vary from 16 – 30%. Duration of loan repayment is mainly within one year. The result of the chi-square analysis showed that there is a significance relationship between the microcredit accessed by farmers and poverty alleviation in Ethiope East Local Government Area of Delta State. Farmers in Ethiope East Local Government Area have access to loan from personal savings, family cooperative societies, banks and money lenders. However majority of them obtain loan mainly through personal savings/family and cooperative sources, although the accessibility of the microcredit is limited by collateral, interest rate, Banks bureaucracy, delay application approval among other the microcredit obtained were beneficial to the farmers in alleviating poverty in the study area.

Keyword: Poverty farmers, social economical characteristics of the respondents, poverty in Ethiope East Local Government Area, Delta State.

1. INTRODUCTION

Small scale farmers have always played dominant role in agricultural productivity in Nigeria but their productivity and growth are hindered by limited access to credit facilities (Obinne, 2010). Feijo (2001), Oyeyinka (2009) and Okojie et al (2010) in their report said farm credit is an important factor in improving agricultural productivity and strengthening rural economy in most developing countries. Farm credit scheme provide poor people with the institutional support needed to generate a source of income which may help them to achieve food security.



Several empirical studies have shown that microcredit has benefited small scale farmers in many ways in the past. According to Eboime (2008), capital has for a long time been considered as a primary means of rekindling and enhancing the growth potential of the rural economy, especially farming activities. He also found that the provision of financial capital to small scale rural farmers actually led to output growth and increase in gross income. The trend can effectively checkmate poverty as increased income is expected to generate income saving, investment, and capital formation and eventually bring about increased productivity.

Okojie et al, (2010), Phillip et al, (2009) have reported that the operational mechanism of farm credit service is complicated by emerging new challenges that are changing the context in which rural economic landscape operates. Important lessons from past rural credit programme in the country point to the need to redesign or improve delivery mechanism to minimize institutional barriers and, hence, open access of small scale farmers to credit.

Majority of poor farmers have continued to face limited access to financial services, and where these services are made available, they are often at very high cost. Awotodunbo (2008) stated that credit serves as a source of funds to farmers that can be utilized in the production process. Ben-Yami (2008) observed that the agricultural sector has been receiving the least level of credit facilities from commercial banks. CBN (2008) report in Nigeria estimated that only 2.5 percent of the total commercial bank loans and advances is directed to agriculture. This has made government over the years to come up with many different programmes aimed at providing loans and credits to small scale farmers with or without collateral. Government have through several programmes pursued rural and agricultural development in Nigeria, the rural environment being always the target of such programmes, CBN (2008) noted that rural farmers should be the centre piece of increased agricultural production.

According to Awotodunbo (2008) agricultural credit determines access to all resources in which farmers depend; credit serves as a source of funds to farmers that can be utilized in the production process. He further stated that agricultural business like any other business can be financed through personal savings, friends or family assistance, partnership, bank loans, private placements, credit terms, hire purchase and cooperative societies. In Nigeria It has been observed that the agricultural sector has been receiving the least level of credit facilities from commercial banks (Ben-yami 2008),

Farm credit is an important factor in improving agricultural productivity and strengthening rural economy in most developing countries. Farm credit scheme provide people with the institutional support needed to generate a source of income which may help them shown that micro credit have benefited small scale farmer in many ways in the past (Feijo 2001, Oyeyinka and Bolarinwa, 2009 and Okojie et al, 2010). The operational mechanism of farm credit services is complicated by emerging new challenges that are changing the context in which rural economic landscape operates. Important lessons from past rural credit programme in the country point to the need to redesign or improve delivery mechanism to minimize institutional barriers and hence, open access of small scale farmers to credit.

2. STATEMENT OF PROBLEM

Limited access to financial service, and where these services are made available, they are often at very high cost. Capital has for a long time been considered as a primary means of rekindling and enhancing the growth potential of the rural economy, especially farming activities (Eboime, 2008). Many researchers have conclusively acknowledged that access to micro credit in the rural areas is a major constraint militating against rural farmers agricultural production (Idachaba, 2006). Many low-income countries including Nigeria have limited administrative capacity, reflecting a combination of limited financial and human resources and often weak governance systems. The multiplicity of coexisting programmes on finance, often overlapping vertical programmes not only result in duplication in planning, financial, programme management systems, and increased complexity in financial management arising from multiple funding channels, each with its own monitoring and evaluation system. This also creates problems in the target audience, the rural farmers (German Watch 2011). The need to maintain sustainable agricultural and rural development in the current innovative micro credit programmes has thus far been extremely limited in Nigeria rural setting.

In this current system of global economic innovative development efforts should be targeted towards financial challenges with regard to rural transformation. Efforts made by the rural farmers to get financial assistance are always



constrained by unnecessary strings attached to the credit services, especially collaterals used for assessing the borrower's credit worthiness, there is need for the agricultural sector to be properly financed through microcredit. Agricultural credit enhances productivity and promotes standard of living by breaking the vicious cycle of poverty of small scale farmers (Nenna, ugbajah and Ugwumba 2012). One of the reasons for the decline in the contribution of agriculture to the Nigerian economy is the lack of a stable national credit policy and paucity of credit institutions which can assist farmers (Odoemenem and Obine, 2010). Micro credit is an important instrument for improving the welfare of the poor directly through consumption smothering that reduces vulnerability to short term income (Afolabi, 2008). Micro credit is considered from its ability to energize or motivate other factors of productions. It can latent potentials or under used capacities functional in such situation credit acts as a catalyst, which activates the engine of growth in agriculture, small scale enterprises including the rural farmers in Nigeria are confronted with inadequate capital despite the fact that small scale farmers produce the bulk of food consumed locally and some export crops which generate foreign exchange to the country.

Therefore, the sure way of breaking the vicious circle of poverty especially in the rural areas is through the injection of capital. Even though labour may be abundant in developing countries of sub Saharan Africa, their output remains limited by the shortage of capital. Also the little capital that may be available the delivery systems suffer serious obstacles of implementation, making it difficult for the farmers to access the microcredit.

3. OBJECTIVE OF THE STUDY

The main objective of this study is to examine farmers' access to microcredit in alleviating poverty in Ethiope East Local Government Area, Delta State. The specific objective includes;

- Describe the social economical characteristics of the respondents
- Identify the major sources of microcredit available to the farmers
- Ascertain the benefit of the microcredit in alleviating poverty among farmers in Ethiope East Local Government Area.
- Determine the average loan amount and interest paid by the farmers.
- Make recommendations based on findings

4. HYPOTHESIS

There is no significant relationship between access to microcredit and poverty alleviation among farmers in Ethiope East Local Government Area, Delta State

5. RESEARCH METHODOLOGY

The study was carried out in Ethiope East Local Government Area of Delta State. The Local Government Area is roughly located between latitude 6⁰51'N to 6⁰161'N and longitude 6⁰71'E to 6⁰121'E. it has a land mass of 380km² and population of 200,792 according to the 2006 National Census and is one of the most populous Local Government Area in the state. Important crops cultivated in the area include groundnut, maize, yam, cassava small plots of land. Farming activities usually starts around March with clearing of lands. The soils in the area consist of rich sandy loan soil. Farming activities are usually carried out through family and hired labours.

➤ Method Of Data Collection

Data was collected through primary and secondary sources primary source was through well structure questionnaire and personal interview method. Secondary data was gotten from textbooks, journals magazines, newspapers and internet source.



➤ **Method Of Data Analysis**

Data obtained from the study was collated and analyzed using simple descriptive statistics such as means and frequencies; and chi-square analysis to test the hypothesis.

➤ **Population Of The Study**

The population of study comprised of small scale crop and livestock farmers in Ethiopia East Local Government Area of Delta State.

➤ **Sampling Techniques**

Seven (7) towns were randomly selected out of the Eight (8) towns in the Local Government Area; Isiokolo, Kokori Inland, Okpara Inland, Ovn Inland, Okpara Waterside, Eku and Abraka. From each of the selected towns ten (10) respondents were randomly selected to make up a sampling size of seventy respondents for the study.

6. RESULTS AND DISCUSSIONS

Table 1: Socio Economic Characteristics of Respondents

<u>Gender</u>	FREQUENCY	PERCENTAGE
Male	47	67.14
Female	23	32.86
Total	70	100
<u>Age</u>		
20 – 30	6	8.57
31 – 40	16	22.86
41 – 50	26	37.14
51 and above	22	31.43
Total	70	100
<u>Marrital Status</u>		
Married	62	88.57
Single	5	7.14
Widow	3	4.29
Divorced	0	0
Total	70	100
<u>Education</u>		
Primary school certificate	27	38.57
Secondary school certificate	18	25.71
Higher institution	10	14.29
None	15	21.43
Total	70	100
<u>Occupation</u>		
Civil savant	9	12.86
Farmers	56	80.00
Trader	5	7.14
Student	0	0
Total	70	100

Source: Survey Data 2014

The results showed that 67.14% of the respondents were male and 32.86% were female as shown in the table 1 above. The demographic data in table above shows that 37.14% were within the age bracket 41 to 50 years, 22.86% are between 31 and 40 and 8.57% are between 20 – 30 years. This result vividly showed that more experienced and



matured farmers were the once that often seek for micro credit to enable them under takes farming activity at the beginning of the farming season. Also, the burden of family and social responsibility as well as the wide spread of poverty in the area makes micro credit a basic necessity to farming in the area. The result also showed that 88.57% of the respondents were successfully married, while 7.14% were single and just 4.29% were widow with no divorced record.

The study also showed that majority of the farmers only have the opportunity of attending and obtaining primary school certificate and 25.71% secondary school certificate 38.7% and 25.71% respectively while few of the farmers (14.29%) obtained a higher school certificate and 21.43% of the respondents have never been to the four-wall school in their lives.

The result shown in the table 5 above, 80.00% of the respondents are fully time farmer without any other engagement and 12.86% are both farmer and civil savant while 7.14% are traders who also engage in farming activities.

TABLE 2: HAVE YOU RECEIVED LOAN FROM ANY BANK

	FREQUENCY	PERCENTAGE
Yes	57	81.43
No	13	18.57
Total	70	100

Source: Survey Data 2014

As shown in table 2 above, majority (81.43%) have not received loan from bank while only 18.57% did

TABLE 3: WHAT IS THE SOURCE OF YOUR LOAN?

SOURCE	FREQUENCY	PERCENTAGE
Cooperatives society	40	57.14
Commercial & Micro finance Bank	14	20.00
Money lender	2	2.86
Other please specify	14	20.00
Total	70	100.00

Source: Survey Data 2014

Majority of the farmers representing 71.43% got their credit/loan from cooperative society while 20.00% and 3.57% were got from banks and money lenders respectively as shown in table 3 above.

TABLE 4: DOES THIS LOAN ARRIVE AT THE RIGHT TIME IT IS NEEDED?

	FREQUENCY	PERCENTAGE
No	53	92.98
Yes	4	7.02
Total	70	100

Source: Survey Data 2014

92.98% of the respondents stated that the money does not arrived at the time it was needed, while only 7.02% disagreed.

TABLE 5: WHAT IS THE AMOUNT OF LOAN GIVEN TO YOU?

AMOUNT (N)	FREQUENCY	PERCENTAGE
50,000-100,000	1	1.75
150,000 – 250,000	9	15.79
300,000 – 400,000	32	56.14
500,000 and above	15	26.32
Total	57	100

Source: Survey Data 2014



As shown in the table 5 above, 1.75% of the respondents received the lowest minimum amount of money to start their farming activities N50,000 to N100,000, followed by N150,000 to N250,000 and 300,000 to 400,000; that is 15.79% and 26.32% respectively while 56.14% of the respondents received the maximum amount of loan of 500,000 and above for their farming activities.

TABLE 6: HOW OFTEN DO YOU RECEIVE THIS LOAN?

	FREQUENCY	PERCENTAGE
Once in every 6 months	1	1.79
Once in a year	51	91.07
Once in every 2 years	2	3.57
Once in every 2 year and above	2	3.57
Total	56	100

Source: Survey Data 2014

As indicated in the table above 91.07% of the respondents received loan once in a year, 1.79% of the respondents, once in every 6 month and the rest 3.57% respondents, once in every 2 years and above.

Table 7: IN WHAT WAYS DO YOU RECEIVED THESE LOANS?

	FREQUENCY	PERCENTAGE
Bank transaction	14	25.00
Physical cash in hand	38	67.87
Through cheque	4	7.14
Other please specify	0	0
Total	56	100

Source: Survey Data 2014

As shown in table 7 above farmers received loan from different sources for their farming activities, the table showed the percentages of how farmers obtained or received microcredit through the various options

TABLE 8: WHAT IS THE INTEREST RATE?

	FREQUENCY	PERCENTAGE
5 – 10%	22	39.29
11 – 15%	12	21.43
16 – 20%	6	10.71
Other please specify	16	28.57
Total	56	100

Source: Survey Data 2014

As the Sources were different some of the respondents’ rate of interest was low ranging from 5% to 10% while others were high 11% to 15% and 16 to 20%

The low interest rate will encourage most of the people in the environment to go into farming for them to have a means of livelihood.

TABLE 9: WHAT IS THE REPAYMENT PERIOD OF THE LOAN?

	FREQUENCY	PERCENTAGE
6 months	1	1.79
1 year	53	94.64
2 years	0	0
3 years and above	2	3.57
Total	56	100

Source: Survey Data 2014



Table 9 above showed the result of loan repayment period. Majority of the respondent (94.64%) repay within one year, 3.57% within three years and above, and 1.79% for six months period.

TABLE 10: THE LOAN OBTAINED SO FAR HAS IT IN ANY WAY ALLEVIATED PORVERTY?

	FREQUENCY	PERCENTAGE
Yes	50	96.15
No	2	3.85
Total	70	100

Source: Survey Data 2014

As shown in the table 14 above, majority of the farmers or respondents, 96.15% has shown that they received and have seen so much benefit from the loan they receive from different source of capital resources while 3.85% did not report any benefit. The benefits obtained from the loan were as follow;

- Purchasing of extra land for the expansion of the farm work
- It help in construction f a new farm structures
- It help in the provision of farm facilities
- It help in the extension of the farm business
- It help in the increase level of productivity
- It help in bringing back high income return
-

TABLE 11: ANY CHALLENGES IN OBTAINING THIS LOAN.

	FREQUENCY	PERCENTAGE
Service time	44	75.86
High interest rate	5	8.62
Bureaucracy in application and illiteracy	7	13.07
Others please specify	2	3.45
Total	58	100

Source: Survey Data 2014

The challenges farmers mostly face in obtaining loans as shown in the table 11 above revealed that the service time is a major challenge (75.86%), 12.07% is application based on the illiteracy of farmers and bureaucratic bottleneck. Others include high interest rate poor the nature of the farmers, doubt by the bank staff if the farmers can repay loan.

7. TEST OF HYPOTHESIS

Chi-square/Analysis

$$X^2=62.927$$

$$P\text{-value } (1.39 \times 10^{-13} < 0.05)$$

Since chi-square calculated is greater than tabulated and P-value of $1.39 \times 10^{-13} < 0.05$ and level of significance, ho is rejected while Ha is accepted. Therefore this is a significant relationship between the sources and benefit from microcredit in Ethiope East Local Government Area.

8. SUMMARY, CONCLUSION AN RECOMMENDATION

➤ SUMMARY

The study was carried out to examine farmers access to microcredit towards alleviating poverty in Ethiope East Local Government Area of Delta State. Data were collected through primary and secondary sources. Primary source was through structure questionnaire and personal interview while the secondary source was through textbooks, journals, magazines an internet sources. Seven (7) Town were randomly selected from the study area. In each of the selected



towns ten (10) respondents were randomly selected to make a sample size of 70. Data obtained from the study were presented with simple descriptive statistics such as means and frequency table. The hypothesis was tested with chi-square analysis.

Result of the study showed that there were more males (67%) than females (33%) with majority of them within the age of 41years to 50years (69%). About 89% of the respondents were married. The remaining 7% and 4% were widows and single respectively. The study also revealed that majority of the respondents receive loan from co-operative societies while few respondents received from banks. The amount range from N50, 000 to above.

The study further showed that interest rate vary from 5% to 10% and 11 to 15% per annum for most cooperative societies while for the banks money lenders it vary from 16 – 30%. Duration of loan repayment is mainly within one year.

The result of the chi-square analysis showed that there is a significance relationship between the microcredit accessed by farmers and poverty alleviation in Ethiope East Local Government Area of Delta State.

➤ **CONCLUSION**

Farmers in Ethiope East Local Government Area have access to loan from personal savings, family cooperative societies, banks and money leaders. However majority of them obtain loan mainly through personal savings/family and cooperative sources, although the accessibility of the microcredit is limited by collateral, interest rate, Banks bureaucracy, delay application approval among other the microcredit obtained were beneficial to the farmers in alleviating poverty in the study area.

➤ **RECOMMENDATION**

Based on the findings of this study and in order to achieve the anti-poverty objectives of the federal government's National Poverty Eradication Programme (NAPEP) and the Millennium Development Goals (MSGs).

1. There is need to redesign government agricultural financing policy.
2. This new measure should be designed in such a way that it can guaranty continuous and timely provision of micro credit to farmers at a very low or no interest rate.
3. Also, negotiations between the farmers and the creditors should be made in such a way that the farmers will be given a longer period of repayment and to repay with minimum interest.
4. The ward/village heads could assist in this regard by ensuring that stipulated low interest rates becomes part of the terms of the cooperatives societies banks and money lender and all the micro credit system.
5. By and large the government should evolve a sustainable micro credit financing method that will help the small scale farmers in their farming activities.

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