ENHANCING INSTITUTIONAL MICRO-CREDIT FOUNDATIONS FOR THE SUSTAINABILITY OF WOMEN FARMERS ENTREPRENEURSHIP DEVELOPMENT IN NIGERIA

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Abstract

Micro-credit loans assist the poor women in developed countries to help themselves achieve sustainability in entrepreneurial development. However, unavailability and insufficient credit loans are the major impediments to agricultural development and poverty alleviation in underdeveloped and developing countries. This study identified the women farmers' experiences in having access to micro-credit institutions in Oyo State of Nigeria. The study revealed both institutional and non-institutional micro-credit foundations as sources of credit available to women farmers in the area. Formation of informal micro-credit self-help groups brought more relief and quick services to the women farmers' problems. The finding revealed that majority of the women farmers received less than the amount of loan requested. The repayment rate was very poor due to the mode of disbursement and inability to utilize the loan efficiently. Some constraints were observed as problems encountered in obtaining loan from NACB. However, there was significant relationship between education ($Chi^2 = 16.25$: $p = 0.039$), farming experience ($Chi^2 = 15.86$: $p = 0.044$), farm size ($Chi^2 = 17.01$: $p = 0.009$) and access to loan. There is need for commitment by micro-credit institutions to providing information and credits in a timely and accurate manner and disburse reasonable credit loan to the women.

Keywords: *Micro-credit, Sustainability, Women farmers, Entrepreneurship, poverty reduction.*

1. Introduction

Agriculture has been seen as fundamental to the alleviation of poverty in the economy of the nation (Okunmadewa, 1997; 1998, 2002; FOS, 1999). More so the people living in rural areas seem to be neglected with all the programs and initiatives for poverty alleviation. In general more than 75 percent of the poor are in the rural areas of Nigeria, accounting for 66 percent of incidence of poverty, 72 percent moderate poverty and 69 percent of the extreme poverty (World Bank, 1996). However, Governments in many nations around the world have agreed on committing a lot of resources on poverty reduction. This has resulted in Millennium Development Goals, which are geared towards reducing poverty by 50 percent by 2015 as well as other forms of human deprivation (IDS, 2003). In any case, if Millennium Development Goals (MDGs) are achieved in developed countries, the prospect of this

happening in developing countries might be slim if all forms of poverty alleviation strategies are not utilized. This is because millions of people will still have income of less than US $1 a day in 2015. Also hundreds of millions would suffer losses that will severely reduce their capabilities and millions would have died of easily preventable death from hunger, malnutrition and diseases.

The alleviation of hunger in people presents two challenges: ensuring access to food now and increased productivity of farmers' that are now hungry. The extended family system that was revealed as means of reducing poverty among farming households due to increase in the number of labour could also increase labour force could also increase poverty (Idaghu, 2002). In addition, the cost for education and access to other means for sustainable livelihoods is bound to be high, thereby trapping them to poverty.

Akinbile (2002) discovered that adequate technology dissemination will increase agricultural productivity. This will lead to increased crop production which will invariably reduce poverty in the country. In any case, poverty can only be reduced in the country if there is considerable improvement in government concern and on the effort of the Non Governmental Organizations. It is important to note the several structural adjustment programs in agricultural sectors with the aim of improving agricultural production:- Directorate for Food Road and Rural Infrastructure (DFRRI), Better Life Program (BLP), Agricultural Development Programs (ADPs), National Agricultural Land Development Authority (NALDA), Strategic Grains Reserve Program (SGRP), The Nomadic Education Program, The National Economic Reconstruction Fund (NERF), The People's Bank Scheme, National Cooperative Bank, The Community Bank Scheme, The Agricultural Credit Guarantee Scheme, National Poverty Eradication Program (NAPEP), National Directorate of Employment (NDE), Poverty Alleviation Program (PAP), National Economic Empowerment and Development Strategy (NEEDS). Since some of these programmes have not achieved much, a look at enhancing institutional micro-credit foundations for the sustainability of women farmers' entrepreneurship can go a long way in not only alleviating poverty but also removing the entire negative situations created by poverty and some of the uncertainties of future agricultural production

2. **Literature review**

The farming population has often experienced structural changes characterized by decrease in farming population and farm size, resulting in scarcity. Despite the decreasing number of faming population and the lack of adequate technology, agriculture is based on the performance of various gender tasks. However, gender definition of which task should be carried out varies from society to society, region, class, group or family. This variability is an indication that division of labour is determined as

proper relationships between men and women (Poat, et al., 1984). In almost all culture men are considered to be superior to women, to the extent that women's contributions are not often considered important. This informed the basis for gender stratification and recognition given to gender roles in agriculture. Not withstanding the decline in agricultural labour force as men rural-urban migration continues, women still remain and continue to contribute significantly to agriculture and rural economy. Women participate and play tremendous roles in agricultural related activities (Arene and Omorege 1991). The participation of women in agriculture is more prominent in small scale agricultural production where need for credit is always the case. This is an economic base for boosting agriculture, satisfaction and sustainability of ever-increasing Nigerian population. Micro-credit is one of the numerous issues to be focused on when determining the economic viability of women farmers. There are diversified cultural, political, economical and social dimensions of women problems that affect their economic motives and capabilities. In any case, agricultural development among women farmers depend largely on availability of financial support. This will lead to sustainable standard of living (Ayisi, 1985) and enhance sustainable household and national food and income security (Meludu, et al., 1999).

The commission to restore agriculture in Nigeria can be achieved through combined effort of improved technology; resources availability, management and marketing expertise; as well as availability of capital/ credit capable of creating entrepreneurship opportunities for the farmers. This capital or credit as explained by von-Pischke (1991) is loanable fund which allows purchasing services, money or goods based on the pledge to repay at an agreed period of time. von-Pischke (1991) reported that, moneylenders generally charged exorbitant rates due to risks involved and in some cases they extract economic surplus provided by peasant labour, capital and possibly land.

Credits are important to alleviate the farmers from the vicious cycle of low level of out put, income, level savings and level technology. Since the rural capital outlets cannot supply the needed credit to finance innovation, there is need for adequate institutional credit assistance. Farm credit is also needed to offset the high cost of labour, improve production techniques, improve marketing performance, acquire needed infrastructures, restructure some of the adverse environmental conditions, offset some of the meager rural development initiatives, deluge farmers over seasonal shortages of food and to have reserve to use to synchronize the period of high cost expenses on agricultural production and low returns.

The importance of Institutional Financial Self-Sufficiency (IFS) is essential for Micro Credit Institutions (MCIs) to reach and benefit significant numbers of the poorest households. These financial institutions require the ability to operate at a level of profitability that allows sustained service delivery with minimum or no dependence on donor inputs, international agencies, or charitable organizations (Christen et al., 1994 & 1995). Research has shown that only by pursuing commercially

motivated strategies will MCIs, particularly those working with the poorest, achieve their primary goal of reducing poverty among large numbers of the poor (Christen et al., 1995). The argument now is that if MCIs begin to wean themselves away from their dependence on subsidies and start to adopt the practices of good banking they will be forced to further innovate and lower costs. Not only will this mean better service for poor borrowers. More importantly, it is argued that as MCIs become profitable they will be able to increasingly tap into the vast ocean of private capital funding. If this happens the microfinance sector as a whole will soon be greatly leveraging the limited pool of donor funds and massively increasing the scale of outreach in ways that it is hoped could begin to make a truly significant dent on world poverty (Conning, 1998).

Co-operative societies accounted for the most dependable source of credit and also perform additional role of helping the members to market their produce as well as bulk-purchase of farm input for members. The non-patronage of commercial banks is often due to lack of presence of banks in the rural areas coupled with inadequate security on the part of farmers which prevented them from obtaining loan in the banks. The Nigerian Agricultural Cooperative Bank Limited has many loan schemes to take care of particular farmer borrower for the enhancement of agricultural development. The schemes includes on-lending (to lending institutions), direct lending (to farmers for investment), workers (for retrenched or unemployed for agricultural purposes), livestock credit scheme, special small-holder loan scheme, small-holder direct loan scheme (Ajakaiye, 1994). However, the crux of the matter is still to determine to what extent gender disparity affect loan disbursement. The reason had been that women find it very difficult to secure large amount of loan due to lack of collateral as landless farmers. Therefore the purpose of this study is to determine the major characteristics of women that will or will not allow them secure loan, identify sources of loan available to them and the inadequacies of micro-credit institutions.

3. **Methodology**

3.1 ***Study area***

The study area is Oyo State, which is situated in the tropics, within the South western part of Nigeria. Oyo State has 33 local government areas and a land area of about 37,753 square kilometers population of 578,983. It lies between latitude $7^0 2'$ and $9^0 1'$ north and longitude $2^0 4'$ and $4^0 3'$ east. It is bounded in the West by the Republic of Benin, East by Osun State, North by Kwara and Niger State and South by Ogun States. Oyo State enjoys a tropical climate with prominent wet and dry season. Oyo state is characterized by a tropical rainforest in the south, but covered mostly by a derived savanna in the north, which is largely the result of clearing and burning of the formal forest cover to provide land for civilization. The economy is based mainly on agriculture and handcrafts, agriculture being the main traditional occupation of the state. The climate

favours the cultivation of variety of food crops such as yam, maize, cassava, fruits, leafy vegetables and tree crops such as cocoa, citrus, oil palm, kolanut etc (Town Planning Authority, 2007). The population of the study includes all the women farmers in Oyo State.

3.2. ***Data***

Purposive sampling technique was used to select women farmers because the focus of the research study is on women. Stratified random sampling technique was used to select 50 beneficiaries and 30 non beneficiaries of NACB loan scheme. The list of beneficiaries was collected while random sample was used to select non beneficiaries. Two slightly different questionnaires were used to solicit information from the two groups based on selected socio-economic characteristics, sources of credit, disbursement rate, repayment rate and constraints.

3.3. ***Analytical method***

Data collected on socio-economic characteristics, sources of credit, disbursement rate, repayment rate and constraints were analyzed with frequency, percentage and presented in tables and charts. Chi-square test of relationship was also used to test significant relationship. The chi-square statistic is calculated by finding the difference between each observed and theoretical frequency for each possible outcome, squaring them, dividing each by the theoretical frequency, and taking the sum of the results.

$$X^2 = \sum_{i=1}^{n} \frac{(O_i - E_i)^2}{E_i}$$

where

X^2 = the test statistic that asymptotically approaches a χ^2 distribution.
O_i = an observed frequency;
E_i = an expected (theoretical) frequency, asserted by the null hypothesis;
n = the number of possible outcomes of each event.

The chi-square statistic can then be used to calculate a p-value by comparing the value of the statistic to a chi-square distribution. The number of degree of freedom is equal to the number of possible outcomes, minus 1. Chi-square is used to assess two types of comparison: tests of goodness of fit and tests of independence. A test of goodness of fit establishes whether or not an observed frequency distribution differs from a theoretical distribution. A test of independence assesses whether paired observations on two variables, expressed in a contingency table, are independent of each other For the test of independence, a chi-square probability of less than or equal to 0.05 (or the chi-square statistic being at or larger than the 0.05 critical point) is commonly interpreted by applied

workers as justification for rejecting the null hypothesis that the row variable is unrelated (that is, only randomly related) to the column variable. The alternative hypothesis corresponds to the variables having an association or relationship where the structure of this relationship is not specified.

4. **Results and discussion**

The formal sources of credit in Oyo State were both institutional and non-institutionalized sources. Figure 1, shows that the respondents are all very experienced in farming entrepreneur, since majority of them (46%) have been engaged in agriculture for more than ten years. majority of the women (35%) have also been engaged in agriculture for between 5 -10 years, while just very few (19%) have been engaged in agricultural production for less than five years. The implication of this is that these women are very experienced women when it comes to knowing what to do to increase their production. So the issue of lack of experience should not come in as a factor that will prevent them accessing loan.

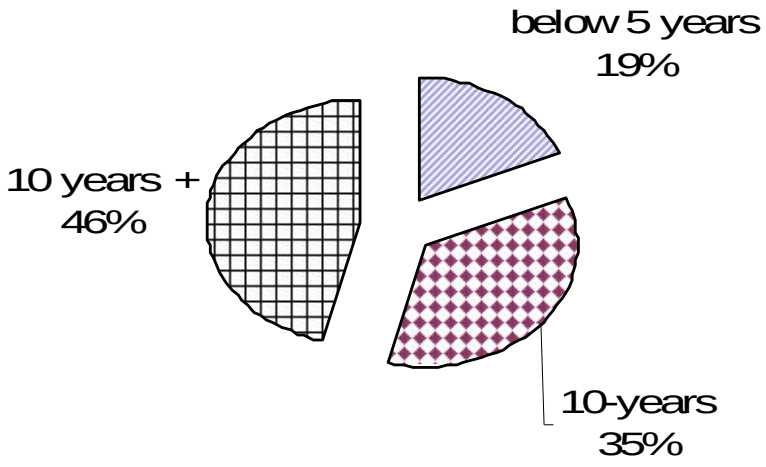

Figure 1: Farming experience

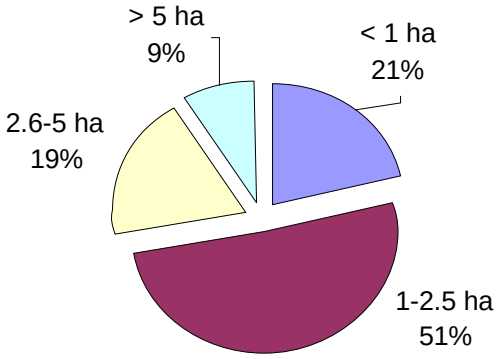

Figure 2: Respondents distribution by farm size

Figure 2 shows the farm size cultivated by the respondents. Thus revealing that majority of the respondents (51%) have 1-2.5 ha of cultivable land, which is large enough to seek for loan. Unfortunately very few of them (9%) cultivated more than 5 ha of land. The implication is that most of them are subsistent farmers, and may probably need more capital to extend or increase their production.

Table 1 shows the summary of distribution of respondents' type of activities, constraints and repayment rates. The table reveals that majority of the respondents (46.4%) engage more on arable crop production. Moderate proportions (39.3%) engage in marketing of agricultural produce. Very few respondents (10.7% and 3.6%) engage in livestock production and tree crop production respectively. This is probably because men are known to be tree crop producers. Furthermore, respondents need to present one form of collateral or the other before they can access loan in any credit institution. Majority of the respondents (56.3%, 32.5% and 11.2% respectively) require to have landed property, car and guarantor with collateral before they can obtain loan. This is a very serous problem, because women often do not have security to use to enable them access loan. However, the credit institution must make sure the respondents tender some guarantee so that in a situation of not being able to pay back the credit institution will have something to fall on be

able to get back some of their money if not all. There are other problems faced by the respondents such as low level education leading to inability to complete the loan forms, passing through the bureaucracy in the bank. Installment disbursement affected the utilization of the loan in bulk. This hampered farm projections and planning resulting in delay of farm project execution on time.

Table 1
Distribution of Types of Activities Engaged, Constraints and Repayment Rate in by the Respondents

Variables	*Frequency*	*Percent*
A. Type of activities	65	46.4
Arable Crop		
Tree Crop	5	3.6
Livestock	15	10.7
Marketing of Agric Produce	55	39.3
Total	140	100
B. Constraints		
Lack of collateral such as:		
Landed property	45	56.3
Car / motor	26	32.5
Guarantor with collateral	9	11.2
Total	80	100
C. Repayment Rate		
Full repayment	06	12.0
Partial repayment	19	38.0
No repayment	25	50.0
Total	50	100

Majority (50%) of the respondents do not repay their loans (Table). Only very few (12%) repay loans in full, while a moderate percentage (30%) repay their loans partially due to either all or some of the following reasons: late disbursement, installment payment, poor yield, poor marketing and family welfare. It may therefore be necessary for Nigerian Agriculture Cooperative and Rural Development Bank (NACRDB) to ensure timely disbursement of loans to farmers. Defaulting will make the credit institutions not to function effectively and efficiently in reaching large proportion of farmers and affect the sustainability of the credit institutions.

Assessment of the sources of farmers' credit in Figure 3 shows that cooperative societies have more impact as a source of credit to the women (28.9%). This may be due to low interest rate charged and perhaps service delivery by cooperative societies. Fewer women obtain loan from banks (3.6%), this is in line with previous finding of Ogunruku (1998). Large proportions of the women (28.9%) utilize the loan services of an informal society (Esusu / Ajo) which is made possibly due to easy access. Also fairly

large proportion of these women (15 %) patronizes the crop merchants. The result revealed that the women have more access to non-institutionalized credit sources than institutionalized (Banks) sources.

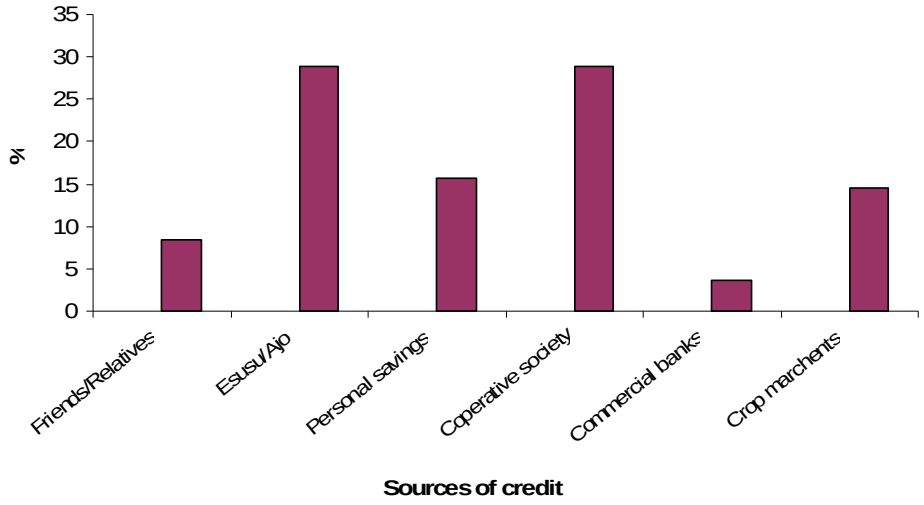

Figure 3: Respondents distribution of sources of credit

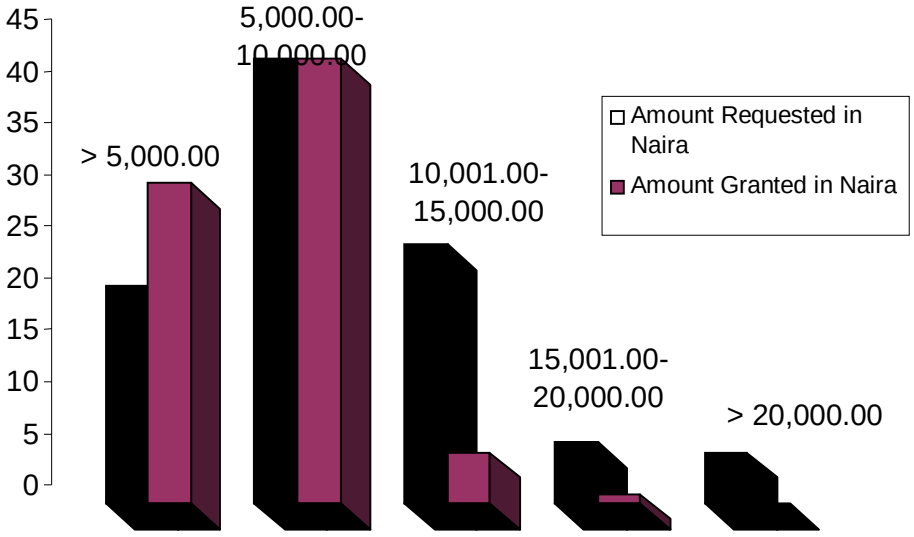

Figure 4: Percentage distribution of the respondents on the amount of loan requested and granted

Figure 4 shows that the more the percentage of the respondents (6%) that apply for high proportion of loan the fewer the number (1%) that were given. While the lesser the respondents (21%) that applied for lesser amount of loan the more the number of respondents (31) that were granted. This means that some of the respondents who applied for higher proportion of loans were merged with those who applied for fewer proportion loans and were granted such lesser amount of loan. Thus the women farmers were unable to meet financial requirement on their entrepreneur leading to impaired production leaving these women and their families at economic risk. Chi-square test analysis on Table 2 reveal that the relationship of the respondents' educational attainment and source of credit was significant ($p = 0.039$), thus implying that the level of education has bearing on easy acquisition of credit from institutional sources. The table also shows that acquisition of the credit was significantly related with farmers with large farm sizes ($p = 0.009$) and increased farming experiences ($p = 0.044$).

Table 2
Test of Relationship between Selected Socio-economic Characteristics and Access to Loan

Variables	*Chi²*	*Df*	*P*
Education	16.26	4	0.039
Farming size	17.01	4	0.009
Farming experience	15.86	3	0.044

4. **Conclusion**

Institutional credit sources have succeeded to break through to provide hope in form of loans to rural areas but still did not focused on majority of the women farmers who contribute substantially to agricultural production. The women farmers still rely on informal credit sources, which has no security and to large extent have not emancipated the women from poverty. NACB small holder loan scheme is an attempt to provide credit for agricultural activities with a focus on small-scale farmers in general. The amount of loan disburse to farmers is relatively small. Even though it has impact on the farmers' productivity, it still requires some positive adjustments for farmers' economic sustainability.

Institutional Financial Self-Sufficiency is crucial for a Microfinance Institution in order to obtain the large amount of funds required to reach and benefit large numbers of the poor. Cost-effective identification of the poor and the poorest women farmers is essential to maximizing the effectiveness and efficiency of providing microfinance services to them. The poor women farmers are proving that they can and will pay the required cost of this opportunity to reduce their poverty and to provide a

better future for their children if some the challenges ameliorated. There is the need for commitment by micro-credit institutions to provide information and credits in a timely and accurate manner and disburse reasonable credit loan to the women.

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