

PDF - FARMERS ACCESS TO MICROCREDIT AND RESOURCE USE EFFICIENCY SPONSORED MICROCREDIT FINANCING SCHEME, NIGERIA - researchcub.info ABSTRACT

The study examined farmers access to microcredit and resource use efficiency in Ekiti State Sponsored microcredit financing scheme, Nigeria. The objectives of the study were to examine the influence of socio-economic characteristic on amount of loan accessed, determine the volume of loans demanded, received and repaid on gender basis, ascertain the constraints in accessing the loans as well as repayment of loan, access the determinants of farmers' access to microcredit in Ekiti State Multipurpose Credit Agency, and determine resource use efficiency of those who accessed credit and those that did not access credit. Primary data were generated with structured questionnaire schedule that were administered to one hundred and sixty (160) respondents drawn through a simple random sampling technique (procedure), but one hundred and thirty two (132) responses were utilized for the study. Descriptive statistics such as mean, mode, gross margin, analysis of resource use efficiency and a five point likert scale were used to analyze the data, while logistic regression model was used to analyze the determinants of farmers' access to microcredit in Ekiti State Multipurpose Credit Agency. Findings of the study showed that more than 67.4% of the responses were men, with a mean age bracket of 46 years of age while 95.4% had formal education, with a mean family size of 5 persons per household. About 67.4% of the respondents were married, while 47% had farm size ranging between 0.6 and 1 hectares. 47.7% of the farmers obtained their credit from Ekiti State Multipurpose Credit Scheme, five of the variables examined had significant effects on the demand for micro-credit. These are age, gender, level of education, interest rate and previous loan amount. High interest rate, delay in disbursement, lack of awareness of loan package, family responsibility and poor product prices were identified as serious constraints to credit access and repayment in Ekiti State Multi-purpose Credit Agency. Farmers were inefficient in resource utilization; land and capital were under-utilized, while labour was over-utilized. We recommend the need to increase the level of awareness of microcredit financing scheme and enlighten beneficiary of micro-credit to increase their production efficiency, which will enable them to make optimum use of such facilities.

CHAPTER ONE

INTRODUCTION

1.1 Background Information On Microcredit And Finance

Micro-credit has been identified and recognized by governments and development experts as the main engine of economic growth and a major factor in promoting agricultural development. It has been recognized that availability of capital on affordable terms is vital to efforts aimed at enhancing income generating capacity of the poor local farmers

The assumption is that the farmers know what to do to improve their socio-economic conditions and what is required is credits, a critical factor of agricultural production. It is also believed that the structures, operational procedures and policies of formal and informal financial operations constrain the flow of credit to micro, small and medium scale enterprises. Demand for tangible collateral, extensive documentation and cumbersome procedures are often identified as the limiting features of these financial markets. Micro finance in practice addresses these limitations.

The micro finance industry began in 1976 with the establishment of the Grameen Bank in Bangladesh and it is now a world wide movement comprising thousands of specialist banks, credit unions, cooperatives, village credit societies, NGO's and charities in both the rich and poor countries. The common goal was to extend the

outreach of banking services, especially business credit to those not qualified for normal bank loans. Micro credit was granted at commercial interest rates, though at a much lower rate than charged by informal money lenders. This reflects the status of micro finance institutions as non-profit making but being able to become fully self-supporting after a number of years (Grameen Bank, 1999).

In Nigeria, micro finance is not a new phenomenon. Various communities have rich and long history of financial arrangements with huge savings components. Rotating savings and credit schemes have been organized in various communities under different names. The period between 1930 and 1980 witnessed vibrant micro finance practice within the structure and principles of the cooperative movement. The transformation of the state-promoted cooperative banks to commercial banks was substantially responsible for the decline in cooperative savings and credit activities.

Non-governmental organizations (NGOs) emerged in the era of financial liberalization which was an important component of the structural adjustment programme introduced in 1986. These institutions were mainly poverty alleviation institutions. The non-governmental initiatives were supported by donor agencies with the Ford foundation at the fore-front. The major NGOs that emerged are Farmers Development Union (FADU), Lift Above Poverty Organization (LAPO), Country Women Association Of Nigeria (COWAN) and Community Women and Development (COWAD). (Olomola, 1999).

Government has been a key actor in the micro finance sub-sector in Nigeria. Starting from agricultural finance with the Agricultural Credit Guarantee Scheme in the 1970s, government involvement was broadened to micro enterprises finance with the establishment of the People's Bank of Nigeria Limited and the Community Banks. The roles played by the agricultural sector includes: provision of food for an increasing population, supply of adequate raw-materials to a growing industrial sector, a major source of employment and foreign exchange earnings.

The contributions of agriculture are expected to increase rapidly if credit is made available to farmers through the micro-credit and finance institutions in Nigeria (Olomola and Akande 1999). Ijewere (2013) noted that there is need for Nigerians to embrace Agricultural Transformation Agenda (ATA) of the federal government of Nigeria. He asserted that Nigerians need to re-orientate themselves and transform from the traditional system of Agriculture. It is that transformation that will replace Agriculture as we knew it and replace it with Agribusiness tied to value chain where the person providing the high yielding seed is as important as the bank providing the microfinance.

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