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ABSTRACT

The overall purpose of the study was to evaluate the impactof rural finance institution building programme on the socio-economic life ofbeneficiaries in Anambra State, Nigeria. Specifically, the study determined thefood security status of the beneficiaries and non-beneficiaries; the impact ofRUFIN on beneficiaries' socio-economic life; ascertained the perceived problemsof beneficiaries in utilising RUFIN services; and identified possiblestrategies for improving performance of RUFIN. The study was carried out inAwka North, Orumba North and Ayamelum LGAs of Anambra State, Nigeria. Reflexiveand matching method of quasi-experimental design was used. About 60 RUFINbeneficiaries and 60 non RUFIN beneficiaries constituted the population.Multistage sampling technique was used in selecting respondents. Data werecollected using interview schedule. Descriptive and inferential statistics wereused in data analysis. The findings revealed that the majorities of RB and NRBwere female. The mean age of RB and NRB were 42.7years and 40.3years,respectively. Also, the majorities of RB and NRB were married. About 95% and98%of RB and NRB, respectively were literate. The average household size of 6was obtained among RB and RNB. About 55% and 57% of RB and NRB, respectivelywere into farming as major occupation. The average years of farming experiencefor RB and NRB were 17.3 and 15.9, respectively. Average amount of loanobtained by beneficiaries was N67, 266.70 at an average payback period of oneyear. On the average, RB obtained loan once since programme inception. Thefindings revealed that sex and years of farming experience significantlyinfluenced the amount of loan obtained while age, significantly influenced thenumbers of loan obtained by beneficiaries. The result revealed that themajority relied on friends/neighbour as source of information on RUFIN. Friends/neighbourwas also the most used source of information on agricultural activities bynon-beneficiaries. The results show that the majority of RB and NRB were foodinsecure. The findings show that RB significantly differed from NRB in thenature of food eaten in the household. The result reveals that RB werebetter-off than NRB; though insignificantly, in the following areas: total farmsize owned in hectares, total annual income from trade, number of motorcycleowned, number of radio set owned, number of mobile set owned, number ofgenerator owned, number of fan owned, number of personal house, number of roomsoccupied, number of mattress owned, number of furnished chair owned, number ofassociation belonged, number of rabbit owned, number of pig owned, and numberof livelihood means. The findings also show that non-beneficiaries weresignificantly better than beneficiaries in the number of poultry owned andtotal annual income from farm. The result further shows that there weresignificant differences in favour of RB in the following items: access tofinancial institutions for loan, level of living when compared to others in thecommunity, access to extension services, ease in marketing farm produce, accessto modern farm inputs, access to tractor services, and access to education. Thefindings show that small in size of loanable amount, high interest rate,unavailability of loan when needed, short period of payback, and high initialdeposit were major constraints to utilisation of RUFIN services. Also, the responsesof the farmers on the constraints were extracted and named loan termconstraints, managerial constraints and system embedded constraints. The majorpossible strategies to enhancing utilisation of RUFIN services among farmerswere giving farmers loan at subsidised rate, strengthening the legal backingsof group activities, exposing farmers to financial literacy trainings,trainings on possible areas of income diversification, increasing the volume ofloanable amount, promotion of policy on the establishment of commercial banksin rural areas, access to loan from financial institutions on a personalbasis, making loan interest free, andincrease in length of payback.

CHAPTER ONE

INTRODUCTION

1.1 Background information

Rural finance encompasses the full range of financialservices such as loans, savings, insurance, payment and money transferservices, offered by formal and informal financial institutions and used inrural areas by households and enterprises as a means of improving or sustainingtheir livelihood choices (Making Finance Work for Africa, 2008). It includesagricultural finance, which refers to financial services ranging from short,medium, and long-term loans, leasing, to crop and livestock insurance andcovering the entire agricultural value chain. Agricultural finance is dedicatedto financing agriculture related activities such as input supply, production,distribution, wholesale, processing and marketing (FAO, 2016).

Absence of efficiently operating rural financial institutionis a serious constraint on sustainable rural economic growth in Africa(International Bank for Reconstruction and Development, 2003). This is becausetwo thirds of Africa’s populations are resident in rural areas and requiresadequate finance for their economic activities which are mostly agriculturebased (International Labour Organization, 2014). The Food and AgriculturalOrganization (FAO) (2004) points out that lack of access to finance in ruralareas and in the agricultural value chain could be linked to slow and unevenentry of formal financial institutions into rural areas. The FAO added that,factors such as poor infrastructure and widely dispersed populations in ruralareas raise transaction and information costs, thus further hindering thespread of financial services. In addition, title and property rights can bedifficult to verify in rural areas, posing problems in the use of collateral toobtain fund. Subsidized lending programmes for rural recipients, seasonalnature of farmers' income, long maturation period of farm produce, and highrisk factor associated with farming have also contributed to obstructing thedevelopment of a sustainable rural banking sector (FAO, 2004).

Despite these difficulties, formal rural and agriculturalfinance have been making advances in Africa, with innovative financial servicesand improved risk management on both the client and institution sides with thesole aim of bringing buoyancy and stability to rural economy. The mostpromising approaches include flexible credit schemes, value-chain finance,insurance products, promotion of financial literacy and the use of newtechnologies like GPS mapping (FAO, 2004). Prominent examples are theintroduction of index-based weather insurance schemes in Malawi, financialliteracy campaigns in Ghana, the spread of mobile banking in Kenya (FAO, 2004)and the Rural Finance Institution Building Programme (RUFIN) in Nigeria (IFAD,2008). While it is well understood in Nigeria that financialexclusion of the rural population stunts development, fewer than 2% of ruralhouseholds in Nigeria are estimated to have access to any sort of institutionalfinance (World Bank, 2008). A study by Obanasa and Maduekwe (2013) cites the improvementof financial systems as a key growth pillar for the agricultural sector. Lackof rural access to financial services in Nigeria not only retards ruraleconomic growth, but also increases poverty and inequality (World Bank, 2008). Financial access increases incomes throughproductive investment, helps create employment opportunities, facilitatesinvestments in health and education, and reduces the vulnerability of the poorby helping them to smooth their income patterns over time (World Bank, 2008).

Aside from the launching of Federal Ministry of Agricultureand Rural Development (FMARD) in 1966, to cater for rural development projectsand programmes in Nigeria, the following are efforts by Nigerian government inachieving sustainable rural finance: establishment of the Nigerian Agriculturaland Cooperative Bank (NACB) in 1973, Rural Banking Programme (RBP) in 1977,People's Bank of Nigeria (PBN) in 1989, Community Banking System (CBS) in 1990,Self-Help Groups (SHG) Linkage Programme in 1991, Family Economic AdvancementProgramme (FEAP) in 1994. Efforts made after 1990's include: establishment ofNigerian Agricultural Cooperative and Rural Development Bank (NACRDB) in 2000now known as Bank of Agriculture (BoA), Trust Fund Model (TFM) in 2001, NationalPoverty Eradication Programme (NAPEP) in 2001, Small and Medium EnterprisesEquity Investment Scheme (SMEEIS) in 2001, Agricultural Credit Support Scheme(ACSS) in 2006 (World Bank, 2008), and RUFIN in 2006 (IFAD, 2008). Some ofthese programmes ended without achieving the core objective for which theprogrammes were launched. This is evident in the current level of poverty inthe rural areas which stood at 80% as at 2012 (IFAD, 2012) as against 41% in1985, 49% in 1992, and 51% in 1996 (Aigbokhan, 2000). The failures could belinked to incoherence and/or default in implementation of programmes policydocuments. It could also be associated with lack of clarity on the extent towhich evaluation have informed evidence based policy.

Evaluation refers to objective assessments of a planned,ongoing, or completed project, programme, or policy. It is the systematicreview and assessment of the benefits, quality and value of a programme oractivity (Ajayi, 2005). According to FAO (2003), evaluation is purposely doneto determine achievements of development programmes vis-a-vis the set aims /objectives. Food and Agricultural Organization (2003) also

pointed out thatevaluation techniques can serve to improve implementation and efficiency ofprogrammes after interventions have begun, provide evidence as to the costefficiency and impact of a specific intervention within and between policysectors. Evaluation especially continuous / on-going and stage by stageevaluation are important because they expose lapses associated with achievementof programme objectives thereby affording opportunities for adjustment.
Impact evaluation on the other hand, assesses the intendedand unintended changes that can be attributed to a particular interventionafter about 5 to 10 years of existence (World Bank Group, 2012). Impactevaluation is structured to answer the question: how would outcomes such asparticipants' well-being could have changed if the intervention had not beenundertaken? It seeks to answer cause-and-effect questions. In other words,impact evaluation looks for the changes in outcome that are directlyattributable to a programme (Gertler, Martinez, Premand, Rawlings andVermeersch, 2011).
Rural Finance Institution Building Programme which wasinitiated in 2006 and became effective in 2010 is currently in its impact year(RUFIN, 2011). The programme is a strategic means by which the rural microfinancing sector will be developed and strengthened in order to deliveradequate, efficient and sustainable financial services to the rural poor. Theobjective of the programme is to develop and strengthen the performance ofmember-based non-bank rural finance institutions to enable them develop tosustainable Rural Microfinance Institutions (RMFIs) and establish linkages betweenthem and formal financial institutions in Nigeria. Rural Finance InstitutionBuilding Programme lays the foundation for the long-term development of asustainable rural financial system that will eventually operate throughout thecountry (FMARD, 2015; Nigerian Investment Promotion Commission [NIPC], 2015;RUFIN, 2011).
It is being financed by the International Fund forAgricultural Development (IFAD), the Ford Foundation, the Federal Government ofNigeria, state governments of Nigeria, Central Bank of Nigeria (CBN),participating banks and micro finance institutions (MFIs) in Nigeria (IFAD,2015; RUFIN, 2010). Under the programme, the following categories of non-bankmicro finance institutions i.e. cooperative societies, unions and cooperativefinance agencies, neo micro finance institutions and grassroots/informalfinance institutions, would be supported in the needed areas of capacitybuilding and access to loanable funds with appropriate linkages to microfinance banks/institutions and commercial banks for credit delivery to therural populace (FMARD, 2015; RUFIN, 2010).
Rural Finance Institution Building Programme is currentlyoperational in 12 Nigerian states with 3 LGA from each of the states inparticipation (36 LGA are involved in the federation). Participating states inthe north-west / north-east zone are Adamawa, Bauchi, Katsina, and ZamfaraState, while Benue, Nasarawa, Lagos, and Oyo States are participating insouth-west / north-central zone and Anambra, Imo, Edo, and Akwa-Ibom States arein the south-east/ south-south zone (NIPC, 2015; RUFIN, 2011).
The programme is coordinated by a central programme unitbased in Abuja and is assisted by three zonal programme management units(ZPMU), which are; ZPMU in Owerri, Imo State covering south-south andsouth-east Zones, ZPMU in Ibadan, Oyo State covering north-central andsouth-west zones, and ZPMU in Bauchi State covering north-east and north-westzones. Each participating state has a programme support office and is headed byan assistant micro finance officer and assisted by a data management officer(NIPC, 2015). Rural Finance Institution Building Programme with the structureelucidated in a manner that will allow for efficiency, demands an assessment inline with the programme goal of enhancing rural livelihood in which finance isa key component.