Bullion

Volume 44 | Number 3 Article 2

9-2020

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Micro Finance Credit and Micro Enterprise Development in the Agricultural Sub-Sector of the Nigerian Economy

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Abstract

This study seeks to examine the relevance of micro financing credit loans to Agri-business in Lagos State, Nigeria - the development of Agricultural sub-sector centering the attention to the contribution of the institutions involved in the provision of these credits.It makes a critical review of the performance of microfinance institutions in Nigeria, based on a survey of the Agricultural Credit Guarantee Scheme Fund (a microfinance scheme established to boost the agricultural sub-sector of Nigeria). The study examines the scheme – the institutions involved and analyses the performance using the outreach paradigm viathe mixed approach research techniques – qualitative and quantitative research methods. In analyzing the outreach performance, the study evaluates the extent to which the scheme is fulfilling its objectives. Questionnaires were distributed to farmers inLagos state. The data collected were analyzed using simple percentage presented in tables and further analyzed using the chi-square method. Findings of the secondary data established from the Central Bank of Nigeria, indicates that the operation of the ACGSF though not stable has grown over the years, driven largely by expanding agricultural sector activities. The study reveals that the process of obtaining funds from the scheme is stressful and needs to be simplified. It also reveals that there is the urgent need to approve and implement a policy framework that would regulate and standardize micro finance operations, accessing medium to long term sustainable commercial sources of funds and increase mobilization of savings and shifting a good proportion of credit portfolio to the promotion of the real sector activities, especially agriculture.It is significant that Nigerian microfinance credit must be efficiently employed.

Keywords: Microfinance banks, credit, agricultural sub-sector, challenges
JEL Classification: F15, F43, C50, F36

1.0 Introduction

Micro agribusiness operator can be classified as community farmers involved in supply of farm inputs, services to agricultural farming, trading farm produce in its original or partly transformed state, storing and transportation of agricultural produce in its originally, partly or fully transformed state, processing into immediate and finished products and retailing of farm produce for consumption (Agar, 2014).

However, robust economic growth cannot be achieved without putting in place well focused programs to reduce poverty through empowering the people by increasing their access to means of production, especially services, such as credit, deposits, loans, payment services money transfers and insurance to low income, poor self-employed members of the economy for basic economic sustenance. Capacity of the poor for entrepreneurship would be significantly enhanced through the provision of microfinance services to enable them engage in economic activities and be more self-reliant, help increase employment opportunities, enhance household income and create wealth.

Microfinance institutions (MFIs) are institutions whose major business is the provision of microfinance services. Since its inception in 1970's, it has incorporated into its practice, social and economic development concepts, as well as principles that underlie financial and commercial markets.

In Nigeria, the government has been a major player in microfinance services. Government intervention has been due to a lack of modern technology in agriculture, limited savings capacity and the predominance of informal service providers as the sole source of capital. The Nigerian Agricultural and Cooperative Bank (NACB) and other credit enhancing schemes such as the Nigerian Agricultural Credit Guarantee Scheme (NACGS), Nigerian Agricultural Insurance Scheme (NAIS) and the Family Economic Advancement Program (FEAP) are important instruments designed to provide rural and poor economic agents with access to credit (Gabriel 2003). United Nations Capital Development Fund (UNCDF) view that poor population possess the capacity to implement income generating activities but that the main limitation to their initiative is the lack of access to capital.

This limitation arises for reasons; that microfinance institutions are still in their infancy and given their poor track record and lack of collateral, the existing financial institutions are reluctant to extend credit facilities to the poor and their micro enterprises. Another factor is that often, mutual associations and thrift societies that have dealt with financial institutions have been huge failures. These limitations not total the role of microfinance in the agricultural sector in Nigeria would involve reaching poor farmers and providing them with material capital to buy farming inputs, building financial institutions and schemes for farmers and incorporating these institutions into the financial system of the economy. These expectations are based on the premise that the poor will be empowered, encouraged to participate and equipped to self-manage their economic activities.
The major questions however are, are these schemes/institutions sustainable? Do these schemes meet the need of intended targets/clientele in terms of outreach performance? The two paradigms of sustainability and outreach are the major questions that arise when discussing microfinance in the development of the Agricultural Sub- Sector of the Nigerian economy. The central objective of this study is to analyze the contribution of microfinance schemes/institutions and the Nigerian Agricultural Credit Guarantee Scheme Fund (NACGSF) using the outreach paradigm in Nigerian micro entrepreneurial development vis-à-vis the agricultural sub-sector of the Nigerian economy. The paper is organized as follows; Section 2 Theoretical and Literature review, Section 3, Analysis of Data and Conclusion in Section 4.

Problem Statement:

The study revealed that the available MFIs in Nigeria have several services that could be accessed by small-scale agribusiness entrepreneurs. Despite its challenging services, accessing loans proved to be difficult as a result of conditions attach, vis-à-vis a high interest rate, repayment back period, collateral requirements and other detailed services and loan conditions to meet up with MFIs demands. Poor people lack physical collateral security, which is an integral traditional requirement needed by lenders.

2.0 Theoretical and Literature review

The term "microcredit was getting replaced by "microfinance" in the early 1990s (Helms 2006), The success of microcredit programs led to the 1997 microcredit summit that attracted 2900 delegates from 137 countries representing 1500 organizations the world over. The term microfinance then emerged and took center stage in the late 1990s (Elahi and Rahman, 2006; Edward & Olsen, 2006). Elahi and Rahman explain the functional and conceptual differences between "microcredit" and"microfinance".

Microcredit involves the provision of small loans to the poor (credit as the missing piece). On the other hand microfinance encompasses a range of financial and non-financial services that include savings, insurance, money transfers, training and social engagement over and above credit. Today, the provision of microfinance ranges from traditional informal suppliers to banks. Banks are starting to enter the microfinance sector so as to provide financial services to the poor. Traditional banks are slow to take up the challenge of providing credit to the poor people because they rate them as risky borrowers, However, the current focus is now on researching to find out ways of building an inclusive finance system that works for the poor (Rhyne,1998, 2013; and Helms, 2006).

Premchander (2003) argues that microfinance generally refers to the provision of financial services (e.g. savings, credit, insurance) to the poor, those who normally do not have access to formal financial institutions. Microfinance services are not only provided by specialized microfinance institutions (MFIs) that belong to the "new world" of micro enterprise finance (Otero & Rhyne, 1996 cited in Copestake 2007) but also by a diverse group of state sponsored and cooperative institutions, particularly postal banks, who serve many poor clients (CGAP, 2004b cited in Copestake 2007) along with a growing number of "downscaling" commercial financial institutions (Marulanda and Otero, 2005, The Economist, 2005, Valenzuela, 2002 cited in Copestake 2007). "Microfinance institutions consist of organizations and agents that engage in relatively small financial transactions using specialized, character-based methodologies to serve low income households, small farmers and others who lack access to the banking system. They may be informal, semi-formal (that is, legally registered but not under the central bank regulation), or formal financial intermediaries" (Steel 1998 cited in Aryeetey, 2008, p.13).

Microfinance program is one of the poverty reduction strategies that have been adopted by developing economies. Microfinance or Microcredit is defined by the Microcredit Summit (February, 1997) as programs that extend small loans and other financial services to the very poor people for self-employment projects that generate income, allowing them to care for themselves and their families.The microfinance movement is usually attributed to Mohmmed Yunus Grameen Bank founded in the 1970's in Bangladesh (Jolis, 1996). Microfinance programmes have now spread to South and South East Asia, Sub-Saharan Africa, Latin America and even America and other Western countries. Microfinance aims to reach the poor with loans, savings and other financial services tailored to meet the needs of the poor and the unbanked especially in the rural poverty stricken areas. It targets those in the poor bracket who have minimum of assets and are operating at the fringes of the formal finance systems to help them expand their business frontiers (Von Pischke, Adams & Donald 1983).

The development of micro finance over the years, sustainability and outreach of micro finance institutions, flaws and how to improve on banking the agricultural subsector of Nigerian economy have been serious issues. According to Theodore W. Schultz in his work "Transforming Traditional Agriculture", one of the reasons for the increased attention to micro finance and banking the poor is that low income earners are rational, no longer are they ignorant, misinformed and lazy (Deepak, Powelson, Dorn and Walter, 1998). Their rationality provided a basis for constructive interaction with modernity and technology. The micro credit target groups were small entrepreneurs, which was attractive to many policy makers at that time. (Yunus, 1999), in his book, "Banker to the poor" micro financing was a solution that was seen as a more direct approach to economic equality.

As it became clear that the agricultural sector was experiencing difficulty, poverty remained widespread and disgusting (World Development Report, 2000). Greater efforts to do something about it produced a tug of war between two approaches (Meyer, 2002). The first approach consist charitable efforts to provide immediate relief (the informal microfinance). The second approach consists of efforts to create institutions that will bring very large numbers out of poverty in the long run. However, greater freedom of entry of microfinance institutions offered an alternative to banks by permitting the development of different types of financial institutions such as microfinance NGOs and a range of institutions with different levels of banking powers based on their required capital (Rhyne, 2001).

In their broadest sense, microfinance makes the provision of a broad range of financial services such as deposits, loans, payments services, money transfers, and insurance to the poor and low income households and their farm or non-farm micro-enterprises (Charitonenko& Campion, 2003) cited in Mwenda &Muuka, 2004). Services offered include credit extension (for production, consumption and emergency), access to savings facilities, and the provision of basic insurance, such as life, health, and among others.

Conceptually, microfinance addresses a constraint faced by the poor; their shortage of material capital. The theoretical issue of microfinance and micro-entrepreneurial development paradigm in the agricultural sub-sector is a broad one and links two different paradigms – the human development paradigm and the importance of agriculture to the development of the poor. Human development is a direct challenge to "economic development". Economic development, aims at maximizing economic growth, the objective of human development is to expand human freedom and to enable people to flourish. Human well being, freedom and flourishing thus become the end of economic activities. Therefore, the relevance of human development – aiding the poor and developing human potentials – together with the relevance of agriculture to economic development have been emphasized via the various postulations and theories spanning the history of economic thought.

According to Verheya (2000), although increased agricultural production in Nigeria is constrained by a number of factors, such as non-availability of complementary inputs in the right quantity and quality, poor conditions of feeder roads and other transport facilities, inadequate technologies, youth apathy to agriculture and so on, credit is the most limiting factor among them. Consequently, this results in inability of the farmers to optimize potentials, food insecurity, and poverty at individual and national levels. Credit is an invaluable ingredient to agricultural sector development of any country. Berger (2002) argued that microfinance is an effective and efficient mechanism in poverty reduction all over the world. Micro-credit is also an effective means of improving quantity and quality of agricultural production (Abe, 1981; Osugiri et al, 2011). Availability of credit is also a major determinant of scale of agricultural production, adoption of modern technology, ability to purchase modern inputs and induce farmers to take risks (Adegeye and Ditto, 1982; Madaki, 1986).Olawuyi et al. (2010), microfinance banks believe in people and not collaterals solely, it recognizes the credibility of the people and trusts them. Haruna (2007) also noted that these banks use the approaches of collective appraisal to loan application, loan utilization, monitoring, peer pressure and cross guarantee to enforce repayment.

Micro-finance is a powerful tool for reducing poverty. It enables people to increase their incomes, to save and to manage risk. It reduces vulnerability and it allows poor households to move from everyday survival to planning for the future (Paul Wolfowitz, World Bank President, November, 2005 cited in Dison et.al. 2007). Thus it's important to agriculture and the potentials of lending to farmers can be traced to the roles of agriculture in the economy. These roles can be briefly summarized as follows:

- Providing adequate food for an increasing population
- Constituting major source of employment and income to farmers
- Availability of cheap raw materials

Therefore, if income and well being of farmers improves through microfinance, they will be in a better financial position to repay the loan granted by such institutions.

3. Method of Analysis

The two mainly relevant indices for the assessment of the performance of the Nigerian Agricultural Credit Guarantee Scheme Fund (NACGSF) are the sustainability measures using the subsidy index and the outreach measures. However, due to limited data, this study would limit the analysis to outreach measures. Outreach would be assessed using the type of clientele served by the scheme, value and number of loans extended and the participation of farming clients. The method of analysis of this study would also make use of an analysis of perceptions of farmers. The perception analysis would require primary data. Questionnaire would be drawn up and administered to farmers in rural areas of Lagos state using the simple random sample method. This involved both quantitative and qualitative data assessment. The primary data collected would be analyzed in tables using simple percentage and Chi-square statistics. The use of chi-square statistics is necessitated by the need to ascertain if there are differences in the respondents' perception of the impact of the scheme on their production and to further test the validity of the responses. The secondary data would be gotten from the Central Bank of Nigeria (CBN).

4.0 Data, Estimation and Discussion of Results

This section provides the data analysis and interpretation aspect of the study. The primary data are presented in tabular form using percentages. The use of chi-square statistics is necessitated by the need to ascertain if there are differences in the respondents' perception of the impact of the scheme on their production and to make validation of their responses. In addition, analyses of secondary data of some outreach indices of the Agricultural Credit Guarantee Scheme Fund from 1986-2016 are incorporated.

4.1.PERCEPTION ANALYSIS AND INTERPRETATION

1.1.1 Personal data

1. Sex Classification

SCALE/OPTIONS	MALE	FEMALE	TOTAL
No. of respondents	105	95	200
Percentage	52.5	47.5	100

Age Classifications

SCALE/OPTIONS	18 -25 YRS	26 – 35 YRS	36 – 45 YRS	46 - ABOVE	TOTAL
No. of respondents	49	54	56	41	200
Percentage	24.5	27.0	28.0	20.5	100
Cumulative	24.7	52.0	80.3	100	-

Qualification

SCALE/OPTIONS	J.S.C.E	S.S.C.E	OND	OTHERS	TOTAL
No. of respondents	78	71	29	22	200
Percentage	39	35.5	14.5	11	100
Cumulative	39.0	74.5	97.5	100	-

Length of years in business

SCALE/OPTIONS	1 -10 YRS	11 – 20 YRS	21 – ABOVE	MISSING	TOTAL
No. of respondents	119	74	6	1	200
Percentage	59.5	37.0	3.0	5.0	100
Cumulative	59.8	97.0	100	-	-

4.1.2

Presentation and interpretation of answers

Is your farming business financed by your own fund?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	143	57	-	200
Percentage	71.5	28.5	-	100
Cumulative	71.5	100	-	-

From the opinions of the respondents, it shows that 71.5 percent of farmers finance their own businesses, while 28.5 percent get fund aides externally. Therefore, more than half of the farmers interviewed don't get fund aids to finance their businesses but rather use their personal funds to finance their businesses.

Is access to long term capital funds from banks a problem?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	166	68	16	200
Percentage	58.0	34.0	8.0	100
Cumulative	58.0	92.0	100	-

From the response gotten from this question, 58 percent of farmers are of the opinion that accessing capital funds from banks is a problem, while 34 percent don't think getting long term capital funds from banks is a problem, 8 percent are uncertain. These results show that funds from banks are actually a problem to get. This would be a likely explanation of why 71.5 percent of these farmers finance their own businesses themselves.

Have you ever received any financial support from any government scheme?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	76	122	2	200
Percentage	58.0	34.0	8.0	100
Cumulative	38.0	99.0	100	-

The results derived from this question shows that 58 percent of the farmers studied have received financial support from a government scheme one time or the other in their business. 34 percent however have not received any form of financial support from a government scheme. More than half of the farmers interviewed have received financial support from a government scheme.

Have you ever received any financial support from any non-governmental organization?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	67	23	110	200
Percentage	33.5	11.5	55.5	100
Cumulative	33.5	45.0	100	-

The results shows that 52 percent of the farmers studied have received financial support from non-governmental organizations, 46 percent however have not received any financial support from non-governmental organizations. The few organizations mentioned by the respondents were; the lions club, rotary club and the faith foundation, 38 percent of the farmers have received funds from a government scheme; on the other hand 52 percent of farmers have received from a non-governmental organization. It shows that more farmers actually obtain funds from non-governmental organizations than from government scheme.

Do you agree that finance is the only problem micro-farmers face?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	95	102	3	200
Percentage	47.5	51.0	1.5	100
Cumulative	47.5	98.5	100	-

From the response, 51 percent of farmers are of the opinion that finance is not the only problem they face while 47.5 percent of the respondents feel that finance is the only problem they face. 1.5 percent of the farmers studied are uncertain. More farmers agreed that finance is not the only problem they face. This shows that finance is not the only problem that impedes micro farmers from progressing in their businesses?

Aside finance, do you seek non-financial support services like technology, skill development, and better farmer implements?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	122	76	2	200
Percentage	61.0	38.0	1.0	100
Cumulative	61.0	99.0	100	-

61 percent of farmers seek non-financial support services other than financial services while 38 percent of these farmers are satisfied with just financial services.

Do you think the government should provide these services?

SCALE/OPTIONS	YES	NO	UNCERTAIN	MISSING	TOTAL
No. of respondents	186	5	8	1	200
Percentage	93.0	2.5	4.0	5	100
Cumulative	93.5	96.0	100	-	-

93 percent of the respondents are of the opinion that non-financial services such as technological services, skill development and better farming implements should be provided by the government, while 2.5 percent don't think the government should provide these services. This buttresses the fact that 93 percent of farmers are looking up to the government for the provision of such services.

Are you aware of the Agricultural Credit Guarantee Scheme Fund?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	153	35	12	200
Percentage	76.5	17.5	6	100
Cumulative	76.5	94.0	100	-

This question is very crucial in this study. The results show that 76.5 percent of farmers are aware of the Agricultural Credit Guarantee Scheme Fund while 17.5 percent don't know what the scheme is about. 6 percent of these farmers are uncertain.

Have you tried accessing credit from the scheme?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. Of respondents	74	122	4	200
Percentage	37.0	61.0	2.0	100
Cumulative	37.0	98.0	100	-

The percentage of farmers that are aware of the agricultural credit guarantee scheme fund and have accessed this scheme is 37 percent. The percentage of farmers that have not accessed this scheme is 61 percent. Although 76.5 percent of farmers are aware of the scheme, only 37 percent of these farmers have tried accessing the scheme.

Was the process of accessing the fund stressful?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	67	23	110	200
Percentage	33.5	11.5	55.5	100
Cumulative	33.5	45.0	100	-

33.5 percent of the farmers that accessed the scheme claim that the process of getting financial help from this scheme is very stressful while 11.5 percent are of the opinion that obtaining funds from the scheme was not stressful, 55.5 percent are uncertain. The percentage of farmers that think that the process of accessing funds is stressful is more than the percentage than the percentage that think the process is not stressful. This result shows that accessing funds from the Agricultural Credit Guarantee Scheme Fund is not at straightforward and uncomplicated as it should be and this hinders easy access to funds that are meant to be readily available to farmers.

If you have accessed the scheme, has the loan contribution helped develop your farm?

SCALE/OPTIONS	YES	NO	UNCERTAIN	MISSING	TOTAL
No. of respondents	56	25	118	1	200
Percentage	28.0	12.5	59.0	5	100
Cumulative	28.1	40.7	100	-	-

28 percent of the farmers that have obtained funds from the scheme claim that the funds have helped develop their farms while 12.5 percent of farmers claim that the fund has made no difference to the development of their farms. 59 percent of farmers (which is a significant amount) remain uncertain. This result shows that the ACGSF has made an impact to the development of farmers and their well being in terms of development of their farming business since the percentage that responded positively is more than the percentage that responded negatively. Although accessing the ACGSF is cumbersome most of the farmers agree that the funds gotten from the scheme has helped improve their businesses. Making loan delivery procedures simpler, however, could help to increase access to credit with positive effects on farm output.

Do you think it will help farmers if a special bank or separate ministry for micro entrepreneurs were set up?

SCALE/OPTIONS	YES	NO	UNCERTAIN	TOTAL
No. of respondents	171	5	24	200
Percentage	85.5	2.5	12.0	100
Cumulative	85.5	88.0	100	-

85.5 percent of farmers are of the opinion that a special ministry for micro entrepreneurs would help develop micro businesses while 2.5 percent of farmers don't think a special bank or ministry would make a difference. 12.0 percent of these farmers are uncertain. A special ministry for micro entrepreneurs would go a long way in ensuring that services to help small farmers establish themselves, not only financially but technically are delivered to the people who need it the most.

4.1.3 Chi – Square test

The use of chi-square statistics is to test and ensure that the answers gotten from the main research questions above are valid or otherwise.

Is access to long-term capital funds from banks a problem?

	Observed N (X)	Expected N (x)	Residual (X-x)
Yes	116	66.7	49.3
No	68	66.7	1.3
Uncertain	16	66.7	-50.7

Chi-Square: 75.04 df: 2 Asymp. Sig (P≤0.05, valid): .000

Have you ever received any financial support from any non-government scheme?

	Observed N(X)	Expected N (x)	Residual (X-x)
Yes	104	66.7	37.3
No	92	66.7	25.3
Uncertain	4	66.7	-62.7

Chi-Square: 89.44 df: 2 Asymp. Sig (P≤0.05, valid): .000

Are you aware of the Agricultural Credit Guarantee Scheme Fund?

	Observed N(X)	Expected N (x)	Residual (X-x)
Yes	153	66.7	86.3
No	35	66.7	-31.7
Uncertain	12	66.7	-54.7

Chi-Square: 171.67 df:2 Asymp. Sig (P≤0.05, valid): .000

Have you tried accessing credit from the ACGSF?

	Observed N(X)	Expected N (x)	Residual (X-x)
Yes	74	66.7	7.3
No	122	66.7	55.3
Uncertain	4	66.7	-62.7

Chi-Square: 105.64 df: 2 Asymp. Sig (P≤0.05, valid): .000

Was the process of accessing the fund stressful?

	Observed N(X)	Expected N (x)	Residual (X-x)
Yes	67	66.7	0.3
No	23	66.7	-43.7
Uncertain	110	66.7	43.3

Chi-Square: 56.77 df:2 Asymp. Sig (P≤0.05, valid): .000

If you have accessed the scheme, has the loan contribution helped developed your farm?

	Observed N(X)	Expected N (x)	Residual (X-x)
Yes	56	66.3	-10.3
No	25	66.3	-41.3
Uncertain	118	66.3	51.7

Chi-Square: 67.61 df: 2 Asymp. Sig (P≤0.05, valid): .000

0 cells (.0%) have expected frequencies less than 5. The maximum expected cell frequency is 66.7

0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 66.3

Equally the laws establishing the ACGSF specify their respective target clientele-farmers. This section shows some of the outreach measurement indices recommended by Yaron (1994). These measures are: Loans guaranteed by the ACGSF by state, fully repaid loans by state, total repayment percentage and the numbers of clients served. The Bank guaranteed 69,436 loans, valued at 11.4 billion under the Agricultural CreditGuarantee Scheme (ACGS) in 2015, bringing the total number of loans guaranteed sincethe inception of the Scheme in 1978 to 1,001,299, valued at 95.9 billion. A total of 28,801interest draw-back programme (IDP) claims, valued at 363.3 million, was settled at end-December 2015, resulting in a cumulative IDP claims of 285,113, valued at 2.6 billionsettled since its inception in 2004. Under the TrustFund Model (TFM), the number of placements was fifty-eight (58), valued at N5.65 billion at end-December 2015.

Under the Commercial Agriculture Credit Scheme (CACS), the sum of73.4 billion was released to seventeen (17)Six (6) projects valued at N0.43 billionwere guaranteed under the SMECGS in2015, bringing the cumulative fundsguaranteed under the Scheme to N4.2billion.banks for on-lending in respect of seventy-five (75) projects in 2015. Cumulatively, the sumof 336.4 billion had been disbursed under the Scheme by end-December 2015. Six (6)new projects, valued at 432.0 million, were guaranteed in 2015 under the Small andMedium Enterprises Credit Guarantee Scheme (SMECGS), bringing the cumulativenumber of projects guaranteed under the Scheme since its inception in April 2010 to eighty-seven (87), valued at 4.2 billion.

The SME Restructuring/Refinancing Fund (SME-RRF) was discontinued and replaced withthe Real Sector Support Facility (RSSF). However, five (5) projects, valued at 39.5 billion,which were approved prior to the dis-continuation were funded. In addition, one project,valued at 3.5 billion, was funded under the RSSF. The sum of 54.3 billion was accessedby 124 participating financial institutions (PFIs)/States for 347 beneficiaries under the Micro,Small and Medium Enterprises Development Fund (MSMEDF) in 2015.

The sum of 13.2billion was released under the Power and Airline Intervention Fund (PAIF) to the Bank ofIndustry (BOI) to finance one power project (9.9 billion) and an airline project (3.3billion). At end-December 2015, the cumulative amount released to BOI from its inceptionstood at 249.6 billion. Under the Nigeria Incentive-based Risk Sharing System forAgricultural Lending (NIRSAL), 195 Credit Risk Guarantees (CRGs), valued at 1.06 billionwere approved in 2015, bringing the total number and value of CRGs from its inception to255 and 21.7 billion, respectively, at end-December 2015. In line with one of the objectives of this study, it is important to understand the process of obtaining a loan under this scheme.

According to the Central Bank of Nigeria, the minimum loan that can be granted is twenty thousand Naira (N20,000) without collateral. Collateral must be provided if the loan amount is above N20,000. Collateral must be in the form of savings. To obtain a loan, a farmer must first choose and open an account with a bank operating the Agricultural Credit Guarantee Scheme. The bank arranges an insurance cover for the farmer with the Nigerian Agricultural Insurance Corporation (NAIC). In case of disease or pests, NAIC will compensate for the loss to plough the farmer back into business. Micro farmers benefit from this scheme especially with the Trust fund model. Under this model, all companies, State or local government and non-government organization (NGOs) place funds in trust with the leading banks to augment the savings of the farmers in their states or areas of interest that may not have the required collateral (Central Bank of Nigeria, 2006). Under the scheme, the Interest Drawback Program (IDP) entitles farmers to a special IDP rate that is lower than the market-lend rate. It allows small farmers who liquidate their loans within the stipulated time to drawback the difference between the market rate and IDP rate.

Challenges of Micro Finance Delivery

The microfinance industry in Nigeria faces enormous challenges. The first challenge is for the microfinance institutions to reach a greater number of the poor. The CBN survey of 2012 indicated that their client base was about 600,000 in 2011 and there were indicators that they may not be above 1.5 million in 2013. This is too small for a country that has over 70million people that require microfinance services. Seventy percent of MFBs reported poor savings habit of the farmers and constraints loans accessibility. Sixty percent of the banks identified less willingness of the commercial banks to lend to MFBs and shortage of experienced human resources. Other problems identified as challenges of MFBs contribution to agricultural sub-sector development in the study area were lack of effective management information system, inadequate capital to operate the banks, inability of the farmers to provide collateral security, short repayment period, High interest rates and Illiteracy.

Challenges of Micro Finance Delivery in Small Scale Agricultural Sub-Sector Development.

Challenges	Frequencies	Percentages (%)
Not able to meet requirement (poor)	14	12.28
Poor saving habit	10	8.77
Less willingness of the commercial banks	10	8.77
to lend to MFBs	14	12.28
Shortage of experienced human resources	12	10.53
Lack of effective management information	4	3.51
system	2	1.75
Inadequate capital to operate	4	3.51
Inability to provide collateral security	26	22.81
Short repayment period	18	15.79
High interest rates		
Illiteracy		

Source: Field Survey

No Response: 18

Understanding the market in which a microfinance institution operates is crucial. A country's economic and legal environment is also likely to influence greatly microfinance institutional likelihood for achieving its goal of improving the lives of the poor, even if there is effective demand for such services, creating either an enabling context for microfinance or imposing a series of obstacles. In the same, way that environment can set limits to the kinds of products/services microfinance schemes offer.

The issues of financial sustainability and outreach are crucial challenges facing the continuous operation of microfinance schemes and institutions. Full financial sustainability is reached when administrative costs, loan loss, inflation and financial costs are covered entirely by revenues. Although indicators have not been computed, there are indicators that the levels of financial self-sufficiency of micro finance projects are too low (CBN 2001).

5.0 Conclusion

Having reviewed that formal micro finance institutions in Nigeria are already in place, the question is whether they perform effectively in achieving the objectives for which they are established. Is the proposition that "availability of credit would create/generate development" supported by empirical evidence?

This study examined the economic activities of microfinance and micro entrepreneurial development in the Nigerian Agricultural sub sector using the outreach performance of ACGSF and the perception analysis of farmers in Lagos state, Nigeria.

The need to initiate and implement appropriate policies to improve on Nigeria's microfinance sector is very important to the development of the poor and the people who need finance the most in the development of Agricultural businesses. This indirectly is a poverty reduction method. This is because most of the poor population who are the targets of microfinance, live in rural areas where agriculture is the dominant economic activity. However, the issue of sustainability is crucial to the continuous operation of micro credit. There is the need to emphasize savings mobilization, source long term funding and reduce the dependence on grants. Funding agencies should promote linkages between banks and microfinance. NGOs should equally increased access to more commercial sources of funds.

Recommendations

The government has a strong role to play in creating a welcoming environment for microfinance development, even if they are not provided directly by adjusting the regulatory framework to allow all types of institutions to provide the poor with several financial services. The government should license more financial institutions and supervise them properly.

There is the need to emphasize savings mobilization, source long term funding and reduce the dependence on grants. The loan delivery procedure should be simplified as bottlenecks discourage farmers from accessing funds from the ACGF.

The implantation of efficient management information systems and the compensation of the network, to which the microfinance institution belongs, are hence essential conditions to both the survival and growth.

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