ROLES OF CREDIT INSTITUTIONS IN THE IMPROVEMENT OF RURAL LIVELIHOOD AND POVERTY ALLEVIATION IN MANGU LOCAL GOVERNMENT AREA, PLATEAU STATE

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ABSTRACT

Successive Nigerian governments have made great efforts toward the improvement of rural welfare through poverty alleviation. These efforts translated into the establishment of several rural development programmes including Agricultural Credit Guaranteed Scheme (ACGS) and Nigerian Agricultural Cooperative and Rural Development Bank (NARCDB). This study is an assessment of the roles of these financial institutions in improving the lives of the rural people of Mangu Local Government in Plateau state in terms of provision of credit to enable adoption of technologies. The specific objectives were to identify the technologies available to the people, examine farmers' accessibility to the credit facilities and determine the extent to which accessibility of credit facilities has helped adoption of innovation in the area. A total of 106 respondents were selected using a stratified random sampling technique. Structured questionnaire was used to collect data from respondents. Data were analysed using percentages and frequency distribution. The results of the analysis show that 87.5% of the respondents agreed that very few of the technologies available were adopted because of financial constraints. Also, 80.0% indicated that it was quite difficult to access the credit due delay in document processing (41.96%, unattainable collaterals (27.68% and other corrupt practices 25%). He financial institutions helped the very few to adopt technologies that were capital intensive by providing the required credit. It was concluded based on the findings that the establishment of credit institutions has not helped the Mangu people much, because of the inaccessibility of the facilities. Consequently, it is recommended that farmers in this area should reduce their dependence on the formal financial/credit institutions by adopting technologies that are less capital intensive or alternatively form their own traditional credit systems. Technology development for farmers should take into account the social and economic capacity of the people to have the desired impact on the people.

Keywords: Roles, credit institutions, improvement, rural, livelihood, poverty alleviation

INTRODUCTION

There has been a search by the founding fathers of sociology for a better society that is free of crime, impoverishment, undignified means of livelihood and resultant poverty which is also the focus of rural development policies and programmes in Nigeria.

Rural livelihood has been bedeviled with drudgeries and poor returns on investments which have resulted in disenchantment on the part of rural dwellers and farmers making them to become fatalistic. It is a truism that rural livelihood depends largely on agricultural activities and its allied enterprises. As a consequence, agricultural practices cannot be undermined by any government. According to Famoriyo (1992), agricultural policies seem to be on tackling the technical aspects of production, the view of successive governments is that these technical aspects inhibited effective performance of the agricultural sector as the people not really empowered. He noted that such technical aspects are those related to low level of agricultural technology, inadequate quantity and quality of farm inputs and inadequate infrastructural facilities for storage, processing, marketing and distribution of farm produce.

Mostly and Verschoor (2003) noted that Nigerian agricultural sector is unable to meet its basic traditional responsibility of providing food to the teeming population hence the decline in the living standard of the rural people. According to Olubiyo and Hill (1998), about 94% of farmers in Nigeria are small scale farmers as they have farm plots of less than 10 hectares. About 98% of food crops are incidentally produced by these small scale farmers in spite of their limited access or none at all to innovations due to poor social, economic, cultural and institutional conditions.

The major obstacle to agricultural and rural development is the difficulty in accessing credit facilities due to stringent collateral requirements. This made adoption of innovation an uphill task to farmers that resulted to the type of condition Ater (1991) described as being in the vicious cycle of poverty. This situation has affected their productivity and consequently their livelihoods means. In order to tackle these problems, successive regimes came up with agricultural financing policies.

Agricultural financial institutions have the support of these agricultural financial policies in Nigeria. These policies acknowledge that agriculture has pivotal position in national development as the sector provides food, raw materials for industries, employs the bulk of the nation's population, and generates foreign exchange as well as marketing outlet for industrial products. Therefore, it was conceived that farmers necessarily require financial assistance which should get to them with minimal stress or efforts. These policies also stipulated specific roles for

these financial institutions including sustainable financing schemes, provision of prompt micro and macro credit facilities. This was believed will enable farmers contribute to food security, poverty reduction, generate further employments, reduce rural-urban migration, improve rural livelihood, reduce poverty and excessive dependence on importation as well as improve foreign exchange. To this effect, successive governments set up schemes, programmes and institutions such as Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), Agricultural Credit Guaranteed Scheme Fund (ACSGSF), the Peoples Bank of Nigeria (PBN), Community Bank (CB) just to mention these few. The rational for establishing these institutions was to provide farmers with purchasing power which will increase their productivities and improved living standard through enhanced income in the process (Aiyedu, 1995; Polson and Spencer, 1991). Agricultural inputs are generally costly, modern technological requirements for better agricultural output have not made it any cheaper or better, hence the need for institutional financial supports. Over time, it was observed that there has not been any significant improvement in the lives of farmers in Mangu Local Government Area. The question now relates to what extent has these institutions performed these roles toward the people of Mangu Local Government Area of Plateau state. As a result, this study sets out to assess the roles of credit institutions in the improvement of rural livelihood with specific reference to Mangu Local Government Area. In order to do this, the following questions become pertinent:

i. What are the socio-economic characteristics of the people in the study area?
ii. What are the technologies available to farmers that financial resources have constrained their adoption?
iii. What are their levels of adoption?
iv. To what extent have these institutions carried out their responsibilities to the people.

The specific objectives of this study were to:

- examine the socio-economic characteristics of the people in the study area
- identify the technologies available to farmers that financial resources have constrained their adoption
- Determine their levels of adoption
- Assess the extent to which these institutions carried out their responsibilities to the people.

METHODOLOGY

This study was carried out in Mangu Local government Area of Plateau State. Mangu is made up of 20 council wards. The land is vast but undulating, however, it is very suitable for cultivating Irish potatoes, cabbage, apple, and any other temperate crops. The people grow maize, millet and keep livestock. Mangu local government area is a multi-ethnic setting with Mwaghavul, Pyem and Kwandu as the major languages spoken. The people are mainly farmers.

The study was targeted at the Nigerian Agricultural Cooperative and Rural Development Bank loan beneficiaries. This is the financial institution in the local government area. Fifteen (15) out of the 20 council wards were selected through systematic random sampling. Each of the council wards had specific number of target beneficiary, so in the 15 council wards there was a total of 350 beneficiaries. Thirty (30) percent of this population was used proportionately to randomly select 106 beneficiaries which constituted the sample for this study. The details of the sampling procedure and size are presented in Table 1 below:

Table 1. Summary of sampling procedure and sample size

Communities/council wards	Population of beneficiaries (x)	Sample size 30% of x
Ampang West	35	11
Mangu	25	8
Kerang	23	7
Langai	24	7
Chanso	12	4
Kadunu	21	6
Pushit	18	5
Kanbum	30	9
Mangu Halle	37	11
Bwonpe	24	7
Panyam South	22	7
Junnaret	17	5
Gindiri Ward II	20	6
Mangu Daro	27	8
Jipal	15	5
	350	106

Data were collected from respondents using questionnaire and interview schedule. Data collected were analysed using frequency and percentages.

RESULTS AND DISCUSSION

The results of this study are presented on the basis of the specific objectives:

Table 2. Distribution of respondents according to their socio-economic characteristics

Characteristics	Frequency	Percentage
Sex		
Male	75	70.8
Female	31	29.2
Total	**106**	**100**
Age		
26-30	10	9.4
51-35	3	2.8
36-40	5	4.7

Characteristics	Frequency	Percentage
41-45	13	12.3
46-50	32	30.2
51-55	21	19.8
56-60	22	20.8
Marital status		
Married	100	94.3
Single	6	5.7
Total	**106**	**100**
Family size		
1-5	21	19.8
6-10	68	64.2
11 and above	17	16.0
Educational qualification		
Adult education	26	24.5
Primary education	30	28.3
Post primary	28	26.4
Tertiary	22	20.8
Estimated annual income (₦)		
Below 20000	68	64.2
20,000-40000	22	20.8
40001-60000	16	15.0
>60000	106	100
Total		

Table 2 presents the analysis of the socio-economic characteristics of respondents. The entries show that 70% of the respondents were male, many (about 29%) were aged between 46 and 50 years, about 94% were married, majority (64.2%) had family sizes of between 6-10 members, many (28.3%) had primary school certificate educational status.

The findings show that the people in the study were married and therefore responsible enough to judiciously use whatever credit they may access. Their ages of between 46 and 50 years also indicate the fact that the people had cognate farming experience to suggest that they truly understood what to do with the loan when accessed. The findings also indicate that everybody had attained one level of education or another. This suggests that the people are literate enough to understand agricultural innovations and can decide on what agro-allied information will be of significance to them.

Table 3. Distribution of respondents according to technologies available

Technology	Frequency	Percentage
Improved seeds	5	4.8
Improved feeds	2	1.9
Fertilizers/pesticides	23	21.7
All of the above	76	71.7
Total	**106**	**100.1**

Table 3 is an analysis of data collected on the availability of technology in the area. The table reveals that improved seed, improved feeds and chemicals such as fertilizers and pesticides were some of the innovations introduced to them. It was observed that the innovations all centered on farm inputs which require enhanced financial capacity to adopt. This makes the role of financial institutions critical to get the farmers to remain in business.

Table 4. Distribution of respondents based on their perceptions of adoption of levels

Level of adoption	Frequency	Percentage
Low	94	88.7
High	12	11.3
Moderate	0	0
Total	**106**	**100**

Objective 4 was to examine the adoption levels of these innovations. The analysis in table 4 therefore is on the level of adoption of these technologies. The entries show that about 89% had low adoption level whereas about 11% had high adoption level.

Table 5. Distribution of respondents according to their reasons for adoption levels

Reasons	Frequency	Percentage
Insufficient land	4	3.8
Lack of time	2	1.9
Insufficient funds	100	94.3
Total	**106**	**100**

The reasons for this abysmally low adoption level were further investigated and the results are presented on Table 5. The entries in the table show that majority (about 94%) of the respondents indicated that their low level of adoption of the various innovations in the area were due to insufficient or lack of funds. This finding disproves the notion that farmers are usually constrained by tradition which made them to be conservative and not always willing to accept innovation. Funds in this case are the limiting factors to adoption of innovation. Pam (1993) had earlier reported that farmers are not as conservative and unattractive to improved technologies but that they are only just being rational bearing in mind their resource poor state. This finding thus reinforces this perception. It is only logical for anyone who is poor to be risk aversive (Mostly and Verschoor, 2003).

Table 6. Distribution of respondents according to their frequency of benefits from financial institutions

No. of times	Frequency	Percentage
Once	22	20.8
Twice	43	40.6
Thrice or more	41	38.7
Total	**106**	**100.1**

The extent to which this financial institution has played its roles in enhancing rural livelihood was examined and the results are presented in Table 6. The data in the table reveal that in terms of frequency of benefits derived from the institution, many (40%) had benefitted from their funds only twice since inception of the bank in the area, about 38% had benefitted about three or more times and 20.8% had benefitted only once. These results suggest that the financial institutions have been trying to reach out to the people since every target beneficiary had benefitted at least once. However, the time these facilities are made available is also significant in order for it to meet the desired objective.

Table 7. Distribution of respondents on the basis of ease of acquiring credit facilities

Ease of acquisition	Frequency	Percentage
Easy	22	20.8
Difficult	84	79.2
Total	**106**	**100**

The study went further to determine why it was not easy for people to enjoy the loan facilities frequently. The results presented in Table 7 indicate that 79.2% of the respondents said the credit facilities were difficult to acquire for various reasons ranging from delay in the processing of loan documents to unattainable collateral securities requirements as well as sharp practices.

Table 8. Distribution of respondents based on problems faced in acquiring loans

Type of problem	Frequency	Percentage
Delay in processing of documents	47	44.3
Insufficient collaterals	31	29.2
Sharp practices	28	26.4
Total	**106**	**99.9**

Table 9. Distribution of respondents based on adequacy or otherwise of loans accessed

Characteristics	Frequency	Percentage
Sufficient	13	12.3
Not sufficient	93	87.7
Total	**106**	**100**

There was the need for an evaluation of the condition of the farmers before and after accessing the loan to be able to ascertain whether the financial institution had appropriately played its roles in the localities. Tables 8 and 9 display the data on the perception of the people about their working conditions and how they had managed before accessing the credit facilities. About 85% indicated that acquisition of improved farm inputs was extremely difficult. But when the loans were accessed 81% said that things became a lot better for them as they could acquire chemical fertilizers, pesticides, and other inputs that could help their production. This finding is consistent with Okorie (1998)'s position that credit supply to farmers is an effective strategy for enhancing increase in productivity. The multiplier effect of credit availability transcend acquisition of innovation and improved productivity to the enhancement of their marketing ability in an orderly manner through acquisition of new technologies for processing and storage as well as generation of high bargaining power. These ultimately results in improved livelihood. This finding therefore is negation to the earlier notion held about farmers that they use acquired loans to marry more wives and other pleasures which do not contribute to their farming business positively.

CONCLUSION

Based on the findings of this study, it was concluded that to a large extent the financial institution has not helped farmers much to improve their productivity. The stringent conditionalities that have not allowed the facilities to be accessed easily is also a pointer to this, as a result, only a very small fraction has accessed the credit facilities for about three times.

RECOMMENDATION

Based on the conclusion above, it was recommended that farmers should reduce their dependence on the formal financial/credit institutions by adopting technologies that are less capital intensive or alternatively form their own traditional credit systems, by so doing, they would have over came the problem of unattainable conditionality required by the formal credit institution. It was further recommended that technology development for farmers should take into account the social and economic capacity of the people to have the desired impact on the people.

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