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POVERTY REDUCTION THROUGH AGRICULTURAL IMPROVEMENT AND ACCESS TO CREDIT: A CONFIRMATION FROM THE SMALL-HOLDER FARMERS IN ANAMBRA STATE, NIGERIA

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ABSTRACT

In an attempt to reduce poverty and improve agricultural productivity and therefore income of the rural people (who are mostly small-scale farmers), the federal government of Nigeria and the International Fund for Agricultural Development (IFAD) have jointly funded the Rural Finance Institution Building Programme (RUFIN), with the aim to improve agriculture, poverty reduction and employment generation. In Nigeria small-scale agriculture is the main provider to the economic development and food security and this research has provided insight into how the Rural Finance Institution Building Programme (RUFIN) has empowered the target rural poor dwellers who are mostly small-holder farmers in generating sustainable incomes through agricultural activities. The overall objective of this research is to evaluate how the (RUFIN Programme) contributed to the poverty reduction and livelihood improvement of the rural farmers in the study area through agricultural improvement and access to credit. The findings were presented using thematic or content analysis for the summary of the data generated from the study area.

Keywords: Poverty Reduction, Agricultural Improvement, Access to Credit, Food Security, Improved Income and Employment Generation.

INTRODUCTION

Agricultural development is the foundation for economic growth and provides a primary means of food security, employment generation and poverty reduction for Nigerians (Onumadu & Inyang 2015), these are also the very reasons motivating successive incumbent governments of Nigeria to initiate one type of agricultural intervention programme or another in order to generate employment, attain food security and aid in poverty reduction. According to Onumadu and Inyang (2015) every attempt by each successive government and international donor agency to reduce poverty in Nigeria has so far been unsuccessful.The majority of the poor people in Nigeria live in the rural areas and a significant proportion of them are small-scale farmers (Olatomide & Omowumi, 2014). Recent studies have revealed that the improvement of agricultural methods and access to credit are two ways to reduce poverty (Nwakanma, Nnamdi & Omojefe, 2014, Olatomide & Omowumi 2014). The issues of poverty among rural households in Nigeria as well as rising food insecurity and high rates of unemployment present the need to promote measures that will ensure economic growth that will benefit the poor and ensure income generation. Poverty in Nigeria is concentrated in rural areas which accommodate more than 70% of the nation's poor (Oyakhilomen & Zibah 2014). The majority of the poor in sub- Saharan Africa relies on agricultural activities for a livelihood and hence that sector is fundamental to spurring growth, enhancing food security, alleviating poverty and generating income (Awotide, Awoyemi & Diagne, 2012). In order to deal with the challenges of the high rates of poverty, unemployment and problems of food insecurity among the rural poor in Nigeria effectively as outlined by Olaolu, Akinnegbe and Agber (2013), it is crucial that agriculturally productive activities be revitalized.

The Nigerian financial system has been known as the major component of the country's growth and development programme (Ibrahim & Shuaibu 2013). Agricultural financing in the country has faced a number of setbacks as observed by Awe (2013), and these have included low productivity, a lack of capital and credit facilities, inadequate input and storage facilities and poor infrastructure. For these reasons it is crucial to mobilise financial resources in order to enhance and improve Nigeria's agricultural sector.

Agricultural activities in Nigeria have become outdated over the years and productivity has been decreased as a result of the limited use and application of modern technology in the sector. The cost of embracing modern agricultural activities has proven too expensive for the average Nigerian farmer and hence each successive government has initiated and implemented agricultural policies and programs in an attempt to stimulate sustainable agricultural growth and development (Akpaeti 2015).According to a study conducted by Awe (2013), these include the establishment of the Nigeria Agricultural Credit Bank (now known as the Bank of Agriculture) which provided credit facilities for the development of agriculture. Another program that was established was the Nigerian Bank for Commerce and Industry (now known as the Bank of Industry) which made arrangements for the industrial and commercial aspects of agricultural production through credit facilities. Commercial banks and other financial institutions were not excluded as they assisted in financing agricultural development through the Credit Guarantee Scheme.

In another development, the Central Bank of Nigeria made funds available to agricultural lending agencies through loans and monitored the implementation of credit guidelines given to the financial institutions (Sanmi 2009).Most governments in sub-

Saharan Africa seek strategies to increase the levels of agricultural development and such financial linkages have so far proven pivotal to the overall process of socio-economic development related to this sector (Akpaeti 2015).According to Garba, Sanda, Bawa and Mikailu (2007) inadequate access to finance has a significant and direct link to rural poverty in developing countries and rural households that benefit from credit, savings and insurance services significantly contribute to the development of the greater society (Basu 2006).

Promoting access to finance for poor rural households has been determine to be instrumental in the development of agriculture and poorly developed financial system have also been identified as impediments to development (Ibrahim 2012). According to Nwaeze, Egwu and Nwabeke (2015) growth and development cannot be achieved without significant level of resources from the financial institutions being deployed to finance the productive sectors and especially the agricultural sector. However agricultural financing is very important to the development strategy of any nation as it promotes agricultural investment and the adoption of technologies needed to boost economic development (Ogar et al. 2014).The study conducted by Nwaeze, Nkamere and Effiong(2015) observes that financial institution credit contributes significantly to economic development by promoting productivity and improves incomes to ensure a better standard of living. Similarly, research conducted by Sohali (1991) cited by Nwaeze et al. (2015) on the link between financial credit and agricultural output in Pakistan reveals that there was a significant relationship between financial institution credit in Pakistan and resulting agricultural outputs. Further credit programs were seen to be associated with the adoption of modern agriculture technologies in Morocco and Bangladesh which both increased their agricultural production (Benjamin, Piprec & Yaron, 1997).Although rural farmer's own savings is their insurance protection against periods of crop failure as suggested by Ibrahim (2012), the provision of financial services to rural households at affordable rates is a crucial element in the development programs of both developed and developing countries (Aliero & Abubakar 2007).

According to DFID (2004) the availability of savings facilities encourages the poor to accumulate funds in a secure place over a period of time in order to fund an investment. On the other hand, Jalilian and Kirkpatrick (2007) argue that improved access to financial services by the poor also increases their revenue growth which has a direct impact on poverty alleviation. Dauda and Makinde (2014) observe that access to credit can improve the productivity asset of the poor by supporting them to advance in their productive activities as well as in new technology. Deaton (1991) states that having access to credit and other financial services is likely to reduce small investment assets held by poor households, however financial services is assisting the poorest investors in dealing with such risk (DFID 2004).Asset possession and access to economic and social services supports poverty reduction (Oni & Adepoju 2014, Olofin, Adejumo & Sanusi, 2015). Access to micro-credit and markets as well as ownership of agricultural products has influence on poverty reduction (Apata, Apata, Igbalajobi & Awoniyi, 2010).

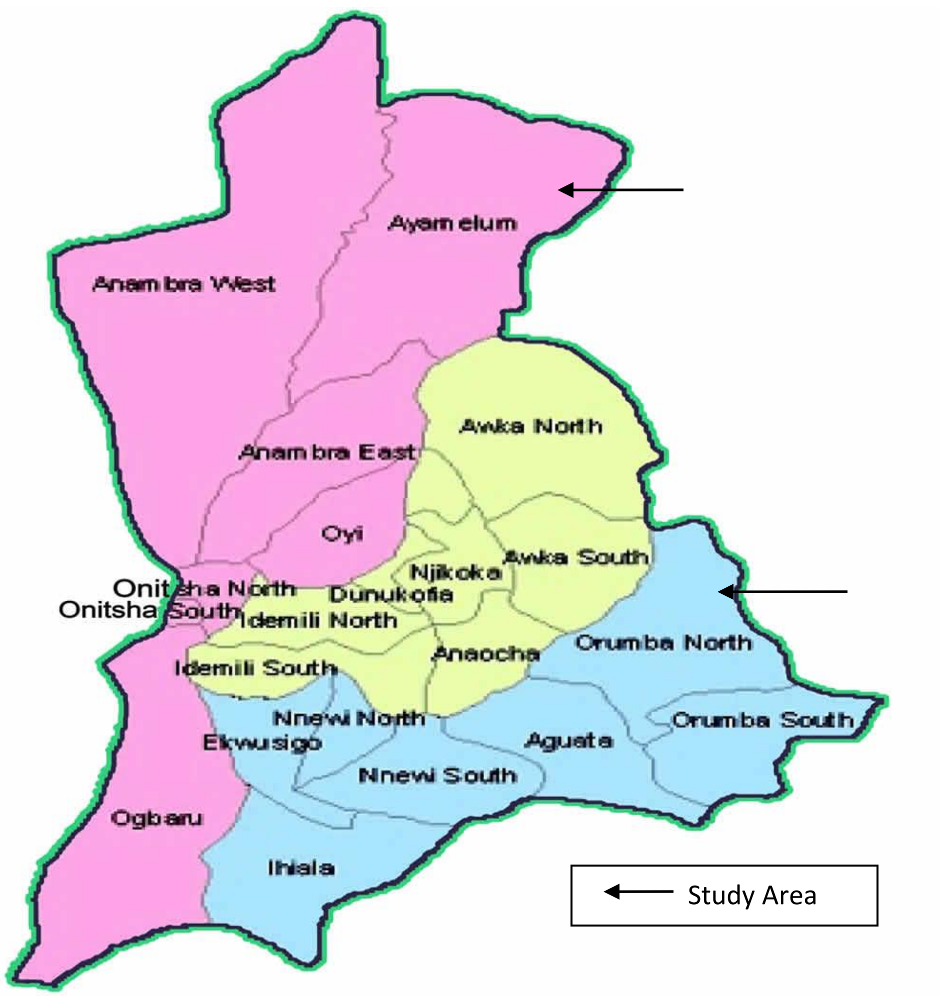
METHODOLOGY

Study Area

Anambra State was created on the 27th August 1991 from the old Anambra State; it derives its name from the Anambra River which is a tributary of the River Niger (Ojiagu & Onugu 2015). The state is in South- Eastern Nigeria and comprises 21 local government areas as shown in Figure 1, namely; Ayamelum, Anambra West, Anambra South, Oyi, Onitsha North, Onitsha

South, Ogbaru, Awka North, Awka South, Njikoka, Dunukofia, Idemili North, Idemili South, Anaocha, Nnewi North, Nnewi South, Ekwusigo, Ihiala, Aguata, Orumba North and Orumba South. The reason for selecting Anambra State for this research is that the state is noted for intensive agricultural production including livestock, maize, rice, yam, cassava, oil palm and vegetables. The state is also one of the participating states in the RUFIN project that involves beneficiary farmers. The state shares boundaries with Delta state in the west, Imo state and River state in the south, Enugu state in the east and Kogi state in the north. It is the 8th most populated state in Nigeria and 2nd most densely populated after Lagos with thickly populated villages and small towns giving the area an average density of 1500 to 2000 persons per square kilometer (Igboegbunam, 2009). Agriculture employs over 90% of the rural population with women playing a major role in the production, processing and marketing of food crops.

Figure 1: Map of Anambra State showing the 21 Local Government Areas



RESEARCH METHODS

The research was conducted to study the process monitoring impacts of the RUFIN project in poverty reduction among rural small-holder farmers. A total of 40 small-scale farmers were selected for the study. The respondents were selected using purposive sampling (Dinh, Cameron & Nguyen, 2015), that is, those farmers and micro finance institutions who benefited from the RUFIN project activities were the respondents that were selected from four different communities, namely; Anaku, Omasi, Umuonyiba and Enugu-Abo. Ten small scale farmers were selected from each of these communities. These communities were drawn from the two participating local government areas of Ayamelum and Orumba North. The data for this study was obtained from primary sources. The primary data was obtained with a set of semi-structured questions using an in-depth interview technique. The in-depth interview technique was used in conducting this research since it allows for face-to-face interactions between the respondents and the researcher (Stewart, Shamdasani & Rook, 2007). The in-depth interviews also enabled the researcher to better understand the respondents' perspectives and allowed for discussions about their experiences and living conditions which the respondents expressed in their own words (Minichiello, Aron & Hays, 2008). Furthermore, information was gathered from the respondent at a time, however, much time was spent with the respondents which also gave greater understanding and increase interaction (Curtis & Curtis 2011).The in-depth interviews provided the researcher with a detailed set of data that involved perceptions, thoughts, feelings, attitudes, skills and the respondents' impressions expressed in their own words (Stewart et al. 2007).

METHOD OF DATA ANALYSIS

Information obtained to achieve the research questions was analysed using content or thematic analysis. This was used to extract what the majority of the respondents said during the interviews.

RESULTS AND DISCUSSION

This research study found that the majority of the beneficiary farmers were living in ignorant and received very low incomes and yielded low agricultural output before the RUFIN project intervention. They also lacked access to low-cost credit facilities and financial institutions. However, both male and female respondents from four communities stated that they were not aware that financial institutions could lend them money at low interest rates without collateral in order to support their agricultural activities and thus improve their productivity and living standards. All the respondents stated that prior to the project, they were very poor and that help was not available to them. They had been struggle daily in order to support themselves and their lives depended solely on farming which itself was not a viable proposition due to the very low productivity levels. These findings correlate with those conducted by Nwakanma et al. (2014) and Olatomide and Omowumi (2014) which reveal that and improvement in agricultural productivity and access to credit are ways to reduce poverty. Furthermore, financial support of agribusiness is very important, especially in developing countries such as Nigeria, since it can powerfully effect widespread poverty reduction and increase productivity and therefore improve income generation (Mensah & Agbekpornu 2015).

This research found that the farmers were relying only on the formal financial services that they could not afford, owing to the stringent conditions imposed as a result of their status in the community. As observed by the International Fund for

Agricultural Development (2010), the farmers in the study area lack capital, such as land and other holdings which could serve as collateral in loan transactions. However, access to credit facilities has an influence on poverty reduction as observed by Apata et al. (2010).

As a result, the target groups involved in this research had been living in abject poverty prior to the project intervention, owing to the inability to access funds and the lack of agricultural improvement.

The majority of the respondents also confirmed that their income had improved significantly since the project intervention as a result of the expansion of their agricultural activities, as well as engaging in other agricultural value chain activities. The respondents confirmed that access to credit assisted them in diversifying their livelihoods and that their living standards had improved.

Table 1, Socio-Economic Content Analysis of the Respondent's (Farmers) in the Study Area

No. of Local Govt. Areas	No. of Communities	No. of female respondents	No. of male respondents	Age bracket (female)	Age bracket (male)	Individual farm size	Type of farming activities	Total no. of respondents
Ayamelum and Orumba North. (2)	Anaku, Omasi, Umuonyiba and Enugu-Abo. (4)	25	15	25 – 55 yrs	28 – 68 yrs	1 – 2.5ha	Mix-farming	40

Source: Field Interview, 2016

Based on the perceptions of the respondents in the study area as shown in Table 1, the research found that there has been improvement in the incomes of the beneficiary farmers. The majority of them stated that the project has aided them in increasing their production as well as engaging in other income- generating activities. This agrees with findings from a study conducted by Adekoya (2014) that suggested that credit availability assists in procuring physical inputs which in turn result in an increased production capacity. The study further reveals that credit is an important tool for improving the welfare of the poor and also enhances the production capacity of the poor rural farmers. However, Odoemenem and Obinne (2010) hold that agricultural productivity and growth are hindered by limited access to funds and credit facilities, while the Central Bank of Nigeria (2008) estimates that only 2.5% of the total commercial bank loans and advances are directed towards agricultural production.

Furthermore, the findings of the research reveal that the majority of the respondents acknowledge significant differences in the availability of food to their families when compared to the period prior to the project intervention. This means that the target groups were able to feed their families better than before, and, at the same time had produce which they could sale at the markets in order to generate income.

In terms of benefits, the respondents in the study area stated that the program/project has linked them to financial institutions in order to access credit which has, in turn, assisted them in improving their livelihood ventures; therefore, they noted general improvements to their living standards. The research findings show that the composition and level of income of the respondents in the study area had changed. This was made possible by the diversification of their livelihood activities and other income sources available in the area, such as farming activities including crop production, livestock/fish rearing, processing and marketing of agricultural produce. This correlates with studies conducted by Oni and Fashogbon (2013), as well as those undertaken by Sekumade and Osundare (2014) which find that livelihood diversification is a means to ensuring the livelihood security and improving the economic situation of rural households facing poverty.

The research found that the household respondents have access to low-cost credit facilities courtesy of the RUFIN project that link the households to their respective financial providers. The majority of the respondents in the study area, stated that prior to the project's inception, they did not have access to the financial market in order to finance their agricultural activities and that where the financial market was available they were unable to meet the associated conditions owing to their low status in the community.

CONCLUSION AND RECOMMENDATION

Since studies have shown that majority of Nigeria's poor population lives in rural areas and a significant number of them are small-scale farmers' dependent on agricultural activities for their livelihood, it is crucial that small-holder agriculture is a central investment focus in order to reduce poverty and food insecurity as suggested by Garvelink, Wedding and Rogerson (2012).

With respect to the RUFIN project, the program should focus on continuing relevant capacity building activities in the areas of agricultural improvement and financial linkages for both the farmers and the Micro Finance Institutions in order to realise the project objectives. The government at all levels; donor agencies and financial institutions should collaborate further to make funds available for the rural poor farmers who require access to credit in order to support their livelihoods which are mainly agricultural based.

Despite the positive results recorded, much may still be achieved if the government, donor agencies, private sectors, non-governmental organisations, policy makers and researchers were able to address the challenges hindering the development of agriculture and eradication of poverty in Nigeria.

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