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Micro Credit Fund and Financing of Agricultural Production in Anambra State, Nigeria

UCHE OKEKE

Department of Agricultural Economics and Extension
Anambra State University, Uli, Anambra State, Nigeria
E-mail: victorokeke67@yahoo.com

ABSTRACT

The work examines the micro credit fund and financing of agricultural production in Anambra State, Nigeria using descriptive and inferential statistics. It looked into the number of people that received credit under the Agricultural Credit Guarantee Scheme Fund (ACGSF) and the fund guaranteed. The work further shows the contribution of agriculture to the Gross Domestic Product (GDP). The paper concludes by stating that, increasing the fund being giving to the farmers, increasing the number of recipients and improving fiscal sanction on states that failed to participate in providing fund to their farmers will increase agricultural productivity.

Keywords: Agricultural Production, Micro Credit Fund,

Introduction

The word agriculture is derived from two Latin words: Agar and culture meaning cultivation of land. This definition describes the earliest form of agriculture, when man first settled down from being a cultivator of crops. Today, however, the term is usually more broadly defined as the rearing of plants and animals useful to man (Akinsanmi, 1995).

All over the world, governments, corporate bodies and individuals map out strategies through which they enhance massive food production. In African continent at large, there has been high dependent on agriculture for employment and nearly half of the population still lives in the rural areas. Improving agricultural productivity will in addition have a positive effect on gender since a large proportion of African women depend on the sector not just for food but also income (UNESCO, 2007).

Nigerian Government had in the past introduced different programs, policies, and institutions to help further Agricultural production in the country. Nigerian Government is aware of the special roles of agricultural credit in contributing to the overall growth and development of agriculture. For a developing country like Nigeria, it has been recognized that lending to agriculture is definitely different from lending to other sectors. The wide scope of operation of commercial banks and their profit objective put agricultural sector at a disadvantage in competing for funds with commerce and industry (Okorie, 1998).

The provision of appropriate macro economic policies and enabling institutional finance for agricultural development is capable of facilitating agricultural development with a view to enhancing the contribution of the sector in the generation of employment, income and foreign exchange (Olomola, 1997).

Credit (Capital) is viewed as more than just another resource such as labour, land, equipment and raw materials (Rahji, 2000). The recognition of credit as a powerful instrument for the reduction of poverty in the developing countries has led to a multitude of programs on agricultural credit, cooperative and integrated rural development in the past few decades, (Yasmeen, 1993). One of such scheme is the Micro Credit Fund (MCF) established in December, 2007. On December 15, 2005 the Central Bank of Nigeria lunched the microfinance policy, regulatory and supervisory framework for Nigeria. (CBN, 2005).

Conceptual and Theoretical Review

The micro finance policy of the Development Finance Department – CBN was lunched and their main policy objectives are

1. Make financial services accessible to a large segment of the potentially productive Nigerian population which otherwise would have little or no access to financial services;
2. Promote synergy and mainstreaming of the informal sub-sector into the national financial system;
3. Enhance service delivery by micro finance institutions to micro, small and medium entrepreneurs;
4. Contribute to rural transformation and
5. Promote linkage programs between universal/development banks, specialized institutions and micro finance banks.

The framework for microfinance banks provides for the setting up of private sector driven microfinance banks to provide financial services for poor and low income groups.

Two categories of micro finance banks are recognized:

1) Micro finance banks licensed to operate as a unit bank with a minimum capital requirement of ₦20m and
2) Micro finance banks licensed to operate in a state with a minimum capital requirement of ₦1 billion.

In Nigeria, two main sources of agricultural credit can be identified. These are the formal and informal sources which are better suited to meet the needs of farmers. Also (Obamuyi, 2007) noted that the Nigeria financial system was dualistic, consisting of the formal and informal subsystem. It is rarely available due to inadequate loanable fund and bureaucratic bottlenecks among others (Olatunbode, 1990). Also it was observed that in Nigeria, access to formal credit is a major problem facing the rural farmers because of some prudent factors. These factors include bureaucratic bottlenecks such as long delay of loan disbursement on the part of the bank and low repayment rate on the part of the farmers.

Empirical Evaluation

Agricultural fund is interminably, a crucial factor in the development of rural farm sector as agricultural producers rely on increase and sustain productive endeavors. Micro credit funds help farmers to acquire what they would not otherwise be able to acquire with their limited resources. In Anambra State, Nigeria, the state government had guarantee agricultural credit for farmers since the scheme started.

Table 1: Gross Domestic Product and Share of Agriculture in Nigeria from 1990 – 2006

Year	GDP Current Market (₦ billion)	Share of Agric in Total GDP (%)
1990	472.648	26.37
1991	328.644	39.43
1992	337.288	39.33
1993	342.540	30.46
1994	345.228	40.19
1995	352.646	40.75
1996	367.218	40.71
1997	377.830	41.28
1998	388.468	41.77
1999	393.107	43.45
2000	412.332	42.65
2010	431.783	42.30
2002	451.785	42.14
2003	495.007	41.0
2004	527.580	40.98
2005	561.930	43.87
2006	593.570	47.02

Source: CBN Statistical Bulletin.

Table 1 shows the gross domestic product and the contribution / share of agriculture in Nigeria from 1990 to 2006. In 1990, the GDP at current market price was ₦472.648b. Agriculture contributed 26.37% which amounted to

₦124.648b. In 1991, it decreases to ₦328.644 but the share of agriculture in total GDP (%) is 39.43%. However it increased to ₦412.332 billion, ₦495.007 billion and ₦593.570 billion in 2000, 2003, and 2006 respectively. During these periods, 42.65%, 41.01% and 42.02% of the GDP came from the agricultural sector respectively. This represents an unsatisfactory level of performance in the sector; when one compare the high potential.

Table 2: Operations of Agricultural Credit Guarantee Scheme Fund (ACGSF) (Number of Loan Guaranteed by State)

Year	Anambra State
1978	16
1979	50
1980	48
1981	77
1982	123
1983	210
1984	69
1985	163
1986	229
1987	1058
1988	1898
1989	2580
1990	2735
1991	2063
1992	1693
1993	855
1994	357
1995	335
1996	352
1997	666
1998	48
1999	388
2000	761
2001	353
2002	1559
2003	241
2004	100
2005	324
2006	336
2007	303

Source: CBN Statistical Bulletin, Abuja.

Table 3: Operation of Agriculture Credit Guarantee Scheme Fund (ACGSF) (Value of Loans Guarantee by State (₦ = 000)

Year	Anambra State
1978	247.4
1979	1283.1
1980	1153.1
1981	1933.1
1982	2319.9
1983	2404.2
1984	978.5
1985	2398.3
1986	4929.2
1987	7448.5
1988	9298.5
1989	10914.2
1990	9545.2
1991	8859.4
1992	5892.5
1993	5449.0
1994	2201.4
1995	3825.6
1996	3746.0
1997	7501.0
1998	4994.0
1999	6651.0
2000	4916.0
2001	11640.0
2002	11795.00
2003	11965.00
2004	12420.0
2005	43.765.0
2006	85, 390.0
2007	39.715.0

Source: Central Bank of Nigeria, Abuja.

Table 2 indicates the number of loan guarantee by the state government from 1978 to 2007. The scheme started with the individual farmers in 1978 and rise to over 2735 farmers in 1990 and decrease to 303 farmers in 2007. The volume of credit guarantee by the Anambra State government is shown in table 3. The state government guarantees ₦247.400 in 1978 and increased to ₦10. 914.200 in 1989. The fund for the scheme decrease to ₦4. 916.000 in 2000 and increase to ₦85. 390. 000 in 2006.

Increasing fund for agricultural production will increased food production in the country. This will further increase the gross domestic product and share of agriculture in Nigeria.

Conclusion

The contributions of agriculture in economic development of Nigeria are very vivid. According to Nyong (2004), Nigeria's post independent economic development beginning from 1960 to 1970 was dominated by the growth of agricultural export sector. Palm kernel, rubber, groundnut, cotton, coffee, palm oil and cocoa constituted significant foreign exchange earners to the national economy. Also Nigeria's socio economic history and development has been very closely tied to its agriculture sector. Before the advent of oil, the country depended almost entirely on its agricultural sector for its food, for its agro-industries raw materials and for its foreign exchange earning through commodity trade.

The micro finance policy is justified base on the following;

1) Weak institutional base or capacity.
2) Absence of technological platform.
3) Weak capital base.
4) The existence of huge market.
5) Poor banking culture and low level of financial literary.
6) Economic empowerment of the poor.
7) The need for increase saving opportunities.
8) The increasing interest of local and international investors in microfinance.
9) Urban bias in banking services.

Recommendations

Base on the available records, there is need to

1) Increase the fund being giving to the farmers to increase agricultural production in the state. These will raise the agricultural production in the state.

2) More numbers of farmers should be made to receive fund to increase agricultural activities in the state.

3) It is also recommended that Federal Government of Nigeria should impose fiscal sanctions on states and local government area that fail to participate in provision of funds to their farmers.

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