

EFFECT OF MICRO FINANCE SCHEME OF THE NATIONAL SPECIAL PROGRAMME ON FOOD SECURITY (NSPFS) ON LIVELIHOODS AND WELL-BEING: A PANACEA FOR SUSTAINABLE DEVELOPMENT IN AKWA IBOM STATE, NIGERIA

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Abstract: The overall purpose of the study was to assess the operations and effect of micro-finance scheme of the National Special Programme on Food Securities on Livelihoods and Wellbeing in Akwa Ibom State, Nigeria. Specifically, the study estimated the effect of the programme on per capita expenditure of beneficiaries and to compare them with those of non-beneficiaries. It analyzes the perception of the beneficiaries on the effect of NSPFS microfinance on their socio-economic lives, identified the major constraints to effective participation and performance of beneficiaries and identify factors affecting timely repayment of the loan. The study was carried out in Akwa Ibom State, Nigeria. Two project sites out of the three project sites in Akwa Ibom State was randomly selected, namely; Ukana Uwa site in Essien Udim Local Government Area of Ikot Ekpene Senatorial District and Ikot Essien in Nsit Atai Local Government of Uyo Senatorial District. One hundred and Twenty project beneficiaries (120) and One Hundred and twenty non-project beneficiaries were sampled from each local government Area. A total of two Hundred and Forty (240) respondents made up of One hundred and twenty (120) beneficiaries and One hundred and twenty non-beneficiaries were used in the study. Copies of questionnaire and interview schedules were used as data collection instrument. Percentages, propensity score, matching technique, mean, standard deviation, factor analysis, and t-Test were used in the analysis of data. Results showed that a greater proportion (92.3% and 77.5%) of the beneficiaries and non-beneficiaries were male, married, and had large households and mean age of 48.7 and 51.2 years respectively. Majority (75.0%) of the beneficiaries were crop farmers while 25.0% were livestock farmers. Cassava, maize and groundnut were the major crops grown in the project sites by the beneficiaries. Majority (55.0%) of the beneficiaries defaulted in paying back loans received and they attributed these to problems like untimely loan disbursement, poor marketing/poor sales, High cost of inputs and insufficient loan. The beneficiaries perceived great level of impact on their social-economic lives as a result of NSPFS in areas like increased crop output, increased level of social interaction, improvement in nutritional status, among others. The result however showed that several factors constrained the effective performance of NSPFS in the study areas. These factors were grouped into logistic problems, management problems, technical problems and financial limitations. Strategies suggested for effective performance of the programmed included early/timely disbursement of loans, provision of sufficient loan, adequate/effective monitoring of the programme, creation of marketing channels, and provision of farm inputs. The findings further revealed that there was no significant difference in the perception

of the beneficiaries who have received credits facilities once and beneficiaries who have received credit facilities at least twice on the impact of NSPSF on their socio-economic live only as pertaining to better marketing strategies. The impact of NSPSF on the beneficiaries was ascertained using propensity score matching technique result showed the average gain in expenditure per capita by the beneficiaries, using nearest neighbour matches to be N8, 750.58 with a significant t-value of 2.85 at $p < 0.05$. It is recommended that before the commencement of another phase of the programme, government prioritize constraints identified in this study and look for possible solutions if the MDGs by 2015 should be realized to give as a panacea for sustainable development.

Keywords: Effect, Food Security, Livelihoods, Micro Finance, Sustainable Development

INTRODUCTION

Agricultural activities constitute the mainstay of a large proportion of African population. In Nigeria, agriculture has remained the largest sector of the economy. It generates employment for about 70% of Nigeria's population and contributes about 40% to the Gross Domestic Product (GDP) with crops accounting for 80%, livestock 13%, forestry 3% and fishing 4% (Federal Republic of Nigeria, 2006). Over the years, the Federal government of Nigeria had set up financial institutions to help poor micro entrepreneurs engaged meaningfully in farm and off-farm activities. Some of these financial institutions which some had long gone moribund are the People Bank of Nigeria (PBN), National Agricultural Insurance Corporation, Community Banks, Agricultural Credit Guarantee Scheme and Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) to mention but a few. In spite of the establishment of these financial institutions, most rural farmers are poor and lack the capital to invest in production especially money to purchase fertilizers, agrochemicals, improved seeds and animal or at least engage in one meaningful livelihood activity or another. Above all, a majority of farmers are powerless and lack collateral security to borrow from banks. Secondly, interest rates are considered high thereby preventing farmers from borrowing.

National special programme on food security is one of the first to have in built microfinance scheme. To reduce food insecurity worldwide, the Food and Agricultural Organization (FAO) initiated the special programme for food and security (SPFS) in 1994.

The board objective of NSPFS is to attain food security in the broadest sense and alleviate rural poverty in Nigeria within the shortest possible time.

Wellbeing refers to positive and sustainable characteristics which enable individuals and organizations to thrive and flourish. It also shows degree of prosperity in a nation as measured by income levels, quality of housing and food, medical care, educational opportunities, transportation, communication and other measures

Microfinance has been one of the most prominent elements of the rural development strategies used by development agencies and national governments. Over the past 40 years, billions of dollars have been provided to support livelihood activities of the rural dwellers.

In Nigeria, most government initiative in the microfinance sector such as Family Economic Advancement Programme (FEAP) 1997 – 2007, Peoples Bank of Nigeria (PBN) 1990-1999 – 2007, Nigerian Agricultural Cooperative and Rural Development Bank Ltd. (formally Nigeria Agricultural Cooperative Bank), 1992 date have failed because of lack of skills by the operators to deliver services effectively and the paucity of loanable funds. Incompetent management, poor corporate governance, insider abuse, weak internal controls, poor credit administration and low management capacity of client were other reasons.

The programme has three sides spread across the three senatorial districts of the state. This programme in line with one of the Millennium Development goals (MDGs, 2004) which is to eradicate extreme poverty and hunger by halving a proportion of people who suffer from hunger between 1999 and 2005, and the NSPFS finance scheme having run in the state for the past 8 years, there is need to assess the successes and failures of the programme hence the following socio-economic impact questions have become pertinent. Did the rural dwellers buy into the NSPF microfinance scheme? When did they learn about the scheme?? What was the volume of credit. Therefore the broad objectives of the study was to assess the operations and effect of microfinance scheme of NSPFS in Akwa Ibom State.

In 1974, an economic lecturer at the University of Chittagong, Bangladesh, lent \$27 to a group of impoverished villagers. Thirty years later, the lecturer, Mohammed Yunus won the Noble Peace Prize and microfinance became the world's favourable development idea, the silver bullet that will cure world, poverty and

spread the wealth-creating force of capitation across the globe. Only last month, Gordon Brown announced more money to help support microfinance institutions (MFIs) in Africa.

Microfinance has a beguiling simplicity and a record of cusses not just in promoting financial resilience but in achieving other social objectives – reaching the excluded, empowering women and developing the capacity of small groups of people to take control of their own lives.

Microfinancing may be of three types based on the load period, namely:

- (a) Short-term: It is repayable in a year or less and it is often used for the purchase of variable inputs.
- (b) Medium-term: The credit is repayable in two to five years and is often used to purchase breeding stock, machinery and implements, and
- (c) Long term: It is repayable over three to twenty years and is commodity deployed in the purchase of agricultural land, the construction of farm building and other farm structures like irrigation facilities (Igbokwe, 2010).

Sources of Microfinancing include

- (a) Saving (self-financing)
- (b) Farm Credit: This is a loan borrowed from a source for starting or expanding a farm enterprise.

It may be in cash or kind but it is repayable over a period with interest as may be determined in the loan agreement. Interest is the cost paid on borrowed capital. The actual amount borrowed is called the principal (Are, 2010).

In order to address the poverty situation in the country, streamline service delivery to the poor and small and medium scale entrepreneurs as well as provide sustainable finance services to micro entrepreneurs, financial institutions were established by the Federal Government of Nigeria such as:

Oyeyomi (2003) reported that Decree No.22 of 1990 established the PBN. The Bank was charged with the responsibility of extending credit to under-privileged Nigerians who could not ordinarily access such loans from the orthodox banking system. Before it was merged with the Nigeria Agricultural and Cooperative Bank (NACB) to form the Nigerian Agricultural, Cooperative and Rural Development Bank (NACRDB), the PBN was engaged in group leading to cottage industry promoters, non-governmental organizations (NGO's) and cooperative societies. It disbursed up to N1.7 billion as in-house loans from funds derived from the Federal Government, with which it provided support for over 1 million new businesses, with a net saving of about N1 billion. It also disbursed N0.9 billion as loans from funds provided by the Family Economic Advancement Programme (FEAP).

Research Methodology

The study was conducted in Akwa Ibom State. The state is located in the South-South Geopolitical and South East agro-ecological zones of Nigeria. It is one of the Niger Delta states. The state lies between latitude 4°31' and 5°31' North, and longitude 7°35' and 8°25' East. The estimated total area is put at 7,245,935 km², and has a shoreline of 129km on the Atlantic Ocean to the South. It shares borders with Cross River State to the East, Abia State to the North and Rivers State to the West (Ajana, 1996; Uwatt, 2000). Multistage random sampling procedure was employed in the selection of respondents for the study. The first stage involved the selection of project sites from the three project sites in the state. Two project sites were selected for the study through simple random sampling technique. The second stage involved the selection of groups from among the groups in the project sites. The third stage was the selection of individual respondents. Fifteen individuals were selected from each of the four groups giving a total of 120 respondent beneficiaries, that is, 60 that had benefited once and another 60 that had benefited at least twice. From among the pipeline comparison groups, 60 respondents were selected by simple random sampling from each group project site given 120 non-beneficiaries. Thus, the total sample size of the study was 240 respondents.

It was evident from data in Table 4.5 that with regards to the impact of NSPFS on socio-economic life of farm families, those perceived by the beneficiaries to have been achieved to a great extent included: increased crop output (X = 4.56); increased level of social interaction (X = 4.56); improvement in nutritional status (X = 4.44); participation in formal organization (X = 4.42); increased level of annual income (X = 4.36); ease of paying children's school fee (X = 4.31); ease of participating in agricultural and community development activities (X = 4.31); increased knowledge of improved farm innovation (X = 4.31); and positive change in attitude towards improved farm innovations (X = 4.08). The beneficiaries further agreed that there was an increase in animal production (X = 3.91); and in increase in possession of household materials; bedding, furniture, cooking utensils (X = 3.78) to some extent. On the other hand, the beneficiaries did not agree with the statement that there was better

marketing strategies ($X = 2.92$). Morgan (1990) had identified that negative attitude towards intervention programmes as a problem and noted that misconception of intervention programmes could prevent people from using them. The implication here is that majority of the beneficiaries of the microfinance have positive perceptions towards the scheme in Akwa Ibom State.

Table 1: Mean score distribution of beneficiaries based on perceived impact of NSPFS on their socio economic lives (n = 40)

S/N	Variable	Mean Score (X)	Standard Deviation
1.	Increased crop output	4.56	.909
2	Increase level of social interaction	4.56	.607
3	Improvement in nutrition status	4.44	1.081
4	Participation in formal organizations	4.42	.604
5	Increased level of annual income	4.36	.833
6.	Ease of paying children's school fees	4.31	1.142
7	Ease of participating in agricultural and community development activities	4.31	.786
8	Increase knowledge of improved farm innovation	4.31	.786
9.	Positive change in attitude towards improved innovation	4.08	1.360
10	Increased animal production	3.91	1.269
11	Possession of household materials: bedding, furniture, cooking utensils	3.78	1.198
12	Better marketing strategies	2.92*	1.204

Source: Field Survey, 2010: Note: $\geq 3.00 = \text{Significant}$, $< 3.00 = \text{Not significant}$ * Not significant

Table 2: Effect of NSPFS microfinance on the expenditure per capita of beneficiaries

As indicated in the methodology, the impact of NSPFS on the beneficiaries was ascertained using propensity score matching technique.

Results of logistic regression

Number of obs	=	75
LR chi2 (4)	=	9.72
Prob > chi2	=	0.0454
Oscudo R2	=	0.0923

Log likelihood = -47.917393

	Coef	Std. Err.	Z	P > z/	[95% conf. Interval]	
befnobe						
hosesiz	.2574114	.1436256	1.79	0.073	-0240896	-5389124
age	-0593947	.0426756	-1.39	0.164	-1430374	0242479
gender	-1.658613	-8085296	-2.05	0.040	-3.243302	-0739242
farexpr	-0108927	.0375635	-0.29	0.772	-0845158	.0627303
_cons	3.236334	1.964329	1.65	0.099	-6136792	7.086348

Source: Field data, 2010

Note: befnobe – beneficiaries non-beneficiaries; hosesix = household size: forexpr = farm experience

CONCLUSION

Based on the findings of the study, the following conclusions were made:

- 1.The beneficiaries have positive perception towards NSPFS. The farmers indicated strongly that the programme enhances poverty reduction, attracts active participation; it easy in implementation; and ensures food security. They also agreed that the programme is educative; is being effectively implemented; is recommended for larger scale; and is cost effective.

2. There was no significant difference in the perception of beneficiaries who have received credit facilities once and those who have received more than once as to the impact of the programme on their socio-economic lives. However, there was a difference in their perception as to the better marketing strategies.

3. The t-value of 2.85 at $P \leq 0.05$ for the test of difference between the expenditure per capita of the beneficiaries and non-beneficiaries with close propensity scores from which the ATT was obtained, was significantly different from that of non-beneficiaries thus the average gain in expenditure per capita is significant.

RECOMMENDATIONS

Based on the findings of the study, the following recommendations were made.

1. Constraints identified should be prioritized by NSPFS officials for the attention of the state and federal governments involved in the funding and implementation of NSPFS in the study areas to look for possible solution for effective operation of the scheme.

2. Given the fact that agricultural operations are time-bound, timely and adequate provision of loans to the beneficiaries should be embarked upon by NSPFS management so as not to delay production.

3. Farmers should be educated on the importance of maintaining proper farm records and accounts, which should be geared towards instilling financial (loan/credit) discipline in them.

4. An effective monitoring and evaluation team should be established so that management can keep beneficiaries informed of the policies and plans affecting them and farmers can react promptly with their views about management's proposals and actions. Change may be managed properly with an understanding of the feelings of those affected by it, and an efficient system of communication is needed to understand and influence these feelings.

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