AN EVALUATION OF ACCESS TO AND UTILIZATION PATTERNS OF FUNDS FROM MICRO-FINANCE INSTITUTIONS BY FARMERS IN UDI LGA

BY

VICTOR OGBOZOR
(PG/M.Sc/09/54467)

NOVEMBER, 2015

AN EVALUATION OF ACCESS TO AND UTILIZATION PATTERNS OF FUNDS FROM MICRO-FINANCE INSTITUTIONS BY FARMERS IN UDI LGA

BY

VICTOR OGBOZOR
(PG/M.Sc/09/54467)

**BEING A THESIS SUBMITTED TO THE INSTITUTE FOR DEVELOPMENT STUDIES, UNIVERSITY OF NIGERIA,
ENUGU CAMPUS. IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTERS OF SCIENCE (M.Sc.) IN DEVELOPMENT STUDIES**

SUPERVISOR: VINCENT ONODUGO (Ph.D)

NOVEMBER, 2015

CERTIFICATION

I, Victor Ogbozor, a postgraduate student in the Institute for Development Studies, University of Nigeria, Enugu Campus, with Registration Number PG/M.Sc./09/54467, do hereby certify that this study is original and has not been submitted for any other degree or diploma in this or any other university, college of education or any higher institution.

…………………………………………

VICTOR OGBOZOR
(PG/MSc/09/54467)
Student

NOVEMBER, 2015

APPROVAL

This research work has been read and certified as the original work of Victor Ogbozor with registration number (PG/MSc/09/54467)**.** The work has also been approved as meeting the requirements of the Institute for Development Studies, University of Nigeria (UNN), Enugu Campus, for the Award of the degree of Masters of Science (M.Sc.) in Development Studies.

-------------------------------------- **----------------------------**
VINCENT ONODUGO (Ph.D) Date
Supervisor

-- **--------------------------**
PROF. OSITA OGBU (Ph.D) Date
Director
Institute for Development Studies
University of Nigeria (UNN)
Enugu Campus

DEDICATION

This work is dedicated to God Almighty. Also, I dedicate this work to Rev. Fr. Lawrence Ekwe (Late) and Anna Barbone.

ACKNOWLEDGEMENTS

It is said that knowledge is inexhaustible and its acquisition, a continuous process. This work has benefitted immensely from contributions of several authors, publishers, my lecturers and colleagues at the institute for development studies, university of Nigeria.

I thank my supervisor, Vincent Onodugo (Ph.D), for his moral support, unflagging fatherly disposition during the period of supervision and unmitigated/technical advice which led to the successful completion of this work.

My very warm appreciation goes to all the research fellows of our unique institute and other lecturers from various faculties in the University of Nigeria with whom I had the privilege to be tutored in their respective classes. I give special thanks to my parents, Chief Bernard I. Ogbozor and Lolo Veronica Ogbozor for their good parental upbringing, support and prayers.

I owe immeasurable gratitude and deep admiration to my parents Bishop, Most Rev. Dr. C.V.C. Onaga for his pastoral initiatives, exploits and personal encouragements.

I must also express my special thanks and appreciation to some great colleagues and friends who contributed vehemently in making my stay in the University of Nigeria worthwhile. Among them are Solo Akpanufot, Anayo Onodugo, Dr.(Mrs) Vera Ogakwu and Mr. R.C. Ugwuanyi.

Dr.Umoh, B.D. the IDS gadfly, whose challenging stings awaken intellectual consciousness and creativity in me is highly appreciated. I thank the parishioners of St. Mary Pro. Cathedral, Udi, for their enabling disposition, prayers and encouragement.

I equally acknowledge with thanks the support and corporation from some farmers group and micro-finance institutions I interviewed in the course of carrying out this research.

Finally, but not of the least important, I wish to thank all friends, colleagues and relatives who supported and encouraged me in one way or the other but whose names I cannot recount here due to lack of time and space. God bless you all.

ABSTRACT

This study investigated the access to and utilization patterns of funds from Micro-Finance Institutions by Farmers in Udi Local Government Area, Enugu State. It assessed the terms and cost of accessing and the pattern of utilizing micro-credit facilities by farmers. The study also examined the socio-economic characteristics of the borrower and factors affecting them. Due to the large number of subjects investigated, the study adopted the survey research method as its research design. A total of 73 farmers constituted our sample size out of which 40 were selected for the study. Variables of interest were farmers' socio-economic characteristics, variations between amount applied for, amount approved and received as well as the utilization pattern of micro credit facilities. Probit regression analysis was used for the study. Key findings show that 78.5% of loan recipients were male and only 10.5% had informal education. On utilization pattern, 13.5% of the respondents are into crop farming, 16.2% engaged in livestock production while 21.6% practice both crop and livestock production. We applied Chi-Square statistical test in testing the formulated hypotheses. The Chi-Square estimate of 22.520 is highly significant and this support the first hypothesis which postulate that access to credit by farmers is positively influenced by their higher values in terms of educational level, farm size, experience, extension contact and farm income. It was also established that gender is not a barrier to accessing credit facilities. Finally, the negative coefficient of membership of co-operatives (-0.0339) indicates that against our expectations, non-members of co-operatives have probability of accessing credit. In the light of the above, this study recommends the implementation of a loan increment policy to farmers as well as increased capacity development for loan borrowers.

TABLE OF CONTENTS

Chapter Five: Summary of Findings, Conclusions and Recommendations

LIST OF TABLES

LIST OF FIGURES

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In the past few decades, the challenge of poverty alleviation has remained one of the biggest socio-economic challenges for Nigeria. In an attempt to address the menace of poverty, many governments have attempted to implement various measures aimed at alleviating poverty. These measures have however been met with little success.

The need to secure credit is increasingly gaining currency as an essential need of most impoverished populations. In this regard, many strongly prefer to start their own entrepreneurial activities rather than earn wages. It has also been argued that where small scale industries thrive, it will contribute considerable to addressing some macro-economic challenges in the society. This perhaps informs the need for commitment to micro-financing across most developing societies.

Beginning from the late 1970's, the concept of micro-finance has rapidly spread across the globe. But whether and how it alleviates poverty has been a subject of popular controversy. In recent years, Microfinance Institutions (MFIs) have begun to offer a wide variety of services, including insurance and business development skills training. In Nigeria, a considerable number of the micro-financing schemes focus on provision of micro-credit scheme to farmers. Microfinance is one of the few market-based, scalable anti-poverty solutions Nigeria is experimenting today. The argument to scale it up to meet the overwhelming need is quite compelling.

Broadly speaking, microfinance for loans (i.e., micro credit) is the provision of small scale financial services to people who lack access to traditional banking services. The term microfinance usually implies very small loans to low-income clients for self employment, often with the simultaneous collection of small amounts of savings. The design principles of microfinance are derived from the needs and socio-economic conditions of the poor and have emerged from the experience of microfinance institutions during the last two to three decades all over the world. These design principles are:

- small saving or thrift by poor is possible if collected at doorsteps;
- poor people need small collateral free loans with frequency instead of large loans at a time;
- timely, adequate and continued credit facility;
- simple application processes
- non-rigidity of end use is preferred by poor people over rigid end use of small loans;
- repayment to match with existing family cash flow
- relatively small repayment periods are preferred, e.g. weekly, fortnightly, monthly, instead of half-yearly, yearly, etc.(Aiyar, 2009; Banerjee, 2009; Kala, 2004; Khandker, 2006).

A number of researches have also shown that intensive supervision is required for microfinance operations. Again, women are better customers relative to men and group method of lending is more successful relative to individual lending (Banerjee, 2009; Kiiza, 2007; Naresh 2007).

The mostly used service of MFIs is the micro-credit to begin, establish, sustain, or expand very small, self-supporting businesses. Many microfinance programs offer services beyond credit. The most basic such service is savings i.e providing the poor a safe place to store their money. Some MFIs require mandatory savings each week from each borrower as well as each group. Some of these programs also collect voluntary savings, allowing clients to deposit as much as they like each week. Recently MFIs have begun to offer a wide variety of services, including insurance (life insurance and/or health insurance), business development skills training, and remittances. A popular form of training is credit with education, developed by Freedom from Hunger, which includes modules on both business and health training (Raghavendra, 2003; Olomola, 2001; Oladeji and Ogunrinola, 2001).

Micro-finance interventions can be identified based on their span of activity, source of funds, route through which it reaches the poor or the coverage. However, it seems that one of the most common practices and approaches prevalent is providing credit through Self-Help Groups (SHGs). The approach is to make SHGs the main focal point to route all credit to members. In Nigeria, almost all national funding organizations as well as other Government schemes advocate forming of Self-Help Groups and thus providing or linking with credit. However, many organizations providing individual finance directly also exist.

In Nigeria, as is the case in most Sub-Sahara Africa, total saving is low. Only a small share of it is transformed into financial savings. For instance, in Senegal, the financial savings (the change of the difference between *M2-M1*)2 averaged solely 8 percent of national savings, showing the difficulties of formal financial sector in mobilizing savings and providing financial services, especially for the poor. Microfinance institutions could play an important role in meeting the financial needs of households and microenterprises. Above and beyond the microcredit facet, microfinance could contribute to poverty reduction by offering adequate savings services.

On the supply side, microfinance could be the best instrument to bring about poverty eradication by loosening constraints on capital, opening the door to investment, smoothing consumption over time, and meeting emergency needs for liquidity. On the demand side, empirical evidence shows that a significant segment of the poor are savers and that the microfinance institutions could support them by looking after their savings in a secure manner and by helping them accumulate interests on their deposits. The poor will be able to deal with emergency and make significant investment expenditures. The performances of microfinance institutions could be caught through their institutional financial viability and their outreach to the poor people. Technical, political, social factors could influence these performances, reinforcing the need to combine the strengths of traditional and modern Micro-finance approaches.

In practice across countries, microfinance and microenterprise are critically linked: microenterprise development is an essential extension of microfinance schemes. If microfinance is to have a sustainable impact on poverty eradication, it must eventually scale-up into creating a private sector of entrepreneurs who function in the formal economy. In other words, microfinance has the potential of formalizing the informal sector, empowering micro-entrepreneurs to participate and benefit from the formal economy. Microfinance can support initiative for direct supply and market linkages to small and medium businesses targeting promising micro-entrepreneurs in non-traditional, low volume but high value-added products in potential niche growth areas of the economy. Such an approach could reach existing micro-entrepreneurs who are seeking to graduate from the survivalist profile of microenterprises into a more secure and productive foothold of the formal sector of the economy.

Targeted micro entrepreneurs can potentially develop, produce, and perhaps market low-volume but higher profit products, expand, and take on additional employees, thus scaling-up. This potential, however, is contingent upon a supportive environment at all level and among all actors, supporting business incubation and expansion. For example, at the local level, regulation and standards among MFIs and their respective microenterprises can lend legitimacy to these initiatives, while networking among MFIs can provide a lobby platform to propel enterprises stemming from microfinance into the formal economy. MFIs can work together to ensure that Governments and donors do not support organizations that undermine the market for microfinance services and microenterprises by subsidizing loans. The concept of micro-finance was given by Bangladeshi economist Mohammad Yunus in the year 1976 and was successfully implemented in Grameen Bank. The concept has since spread with the adaptation and evolution of Professor Yunus' ideas to various countries and contexts. The UN Year of Microcredit in 2005 indicated a turning point for Microfinance and increased awareness about the prospects of the field to contribute to poverty alleviation and the integration of the world's poor into the rapidly evolving global market system. That same year, Mohammad Yunus and the Grameen Bank were awarded the Nobel Prize for Peace in the year, for their contribution to the reduction in World Poverty.

In Nigeria, it is obvious that international organizations are coming to the realization that Non-Governmental Organizations (NGOs) are veritable and effective channels to ensure programme implementation effectiveness, particularly, in poverty projects in view of their on the ground presence and firsthand knowledge of the needs and interest of the poor (Okumadewa, 1998). Thus, microfinance intermediaries comprise mostly of NGOs. Most microfinance NGOs in Nigeria took off as credit-first financial institutions. They obtained resources from donor agencies, which, they loan to their Members at the grassroots. In Udi, most farmers have come to the realization of this fact and are currently working as a group in other to access credit facilities.

This work, based on the data collected from selected farmers from Udi LGA attempts to critically assess the access and utilization pattern of micro-credit facilities by these farmers.

1.2 Statement of the Problem

One of the issues of global scale is Poverty. It is estimated that one half of the world population, almost 3 billion people, currently live on less than $2 per day. The causes of poverty are multidimensional. The consequences are infinite. Unemployment, illiteracy, hunger, homelessness, unsafe drinking water, and disease have an immeasurable impact on the lives of the poor around the world. Nigeria is no exception.

Within the past few decades, Nigerian government has implemented several measures geared towards alleviating poverty. From various agricultural reforms such as green revolution, school to land programme to National Poverty Alleviation Programme (NAPEP), the solution to poverty seems to elude Nigeria.

The need for credit is currently gaining global acceptability as an essential need of most impoverished populations. Most poor population, especially the rural poor, strongly prefers to start their own entrepreneurial activities rather than earn wages. There are certain misconception about the poor people that they need loan at subsidized rate of interest on soft terms, they lack education, skill, capacity to save, credit worthiness and therefore are not bankable. Nevertheless experience reveals that rural poor are actually efficient managers of credit and finance.

It is argued that when properly harnessed, microfinance offers a variety of benefits to the poor people. Foremost, microfinance initiatives can effectively address material poverty, the physical deprivation of goods, services, and the income to attain them. When properly guided, the material benefits of micro financing can extend beyond the household into the community. At the personal level, microfinance can effectively address issues associated with "non-material poverty, which includes social and psychological effects that prevent people from realizing their potential. It is also contended that the economic performance of

Sub-Saharan Africa (SSA) and other regions over the past three decades has been closely associated with their savings and investments.

It is already about three decades since the birth of Microfinance with the founding of the Grameen Bank in Bangladesh by Professor Mohammad Yunus. Since then, microfinance has spread in various countries and contexts. The United Nation Year of Micro credit in 2005 indicated a turning point of Microfinance as the private sector began to take a more serious interest in what has been considered the domain of NGOs. However, with all the excitement about the prospects of the field to contribute to poverty alleviation and the integration of the world's poor into the rapidly evolving global market system, the Consultative Group to Assist the Poorest (CGAP) estimated that microfinance probably reaches fewer than 5 per cent of its potential clients.

It has been observed in many quarters that inadequate capital is a major problem confronting small-scale enterprises including farmers in most developing economies. This is so in spite of the fact that small scale farmers produce the bulk of the food consumed locally and some export crops which generate foreign exchange to many economies. In a related development, Micro credit has proven to be a powerful anti poverty tool that has demonstrated relevance to people on almost every country where it is satisfactorily implemented.

With over a decade of experimentation with micro-financing scheme in Nigeria, it is obvious that aggregate poverty has not reduced significantly. Again, most of those in need of credit facilities complain of their inability to access loans even from micro-credit institutions. Others also argued that most loans accessed are often mis-applied. This work, based on the data collected from the farmers of Udi LGA who have in one way or the other access micro credit from banks, critically assesses the access and utilization pattern of micro finance scheme in Nigeria.

1.3 Research Objectives

The following objectives shall guide this study:

i. To study the terms and cost of accessing micro-credit facilities by farmers in Udi L.G.A.

ii. To examine the pattern of credit utilization by the beneficiaries of micro-credit schemes.

iii. To examine the socio-economic characteristics of farmer borrowers in Udi LGA.

iv. To determine factors that influence access to micro-credit in micro finance banks

1.4 Research Questions

This work shall accordingly be guided by the following research questions so as to achieve the above-mentioned objectives:

i. What are the terms and cost of accessing micro-credit facilities by farmers in Udi LGA?

ii. What are the prevailing patterns of credit utilization by the beneficiaries of micro credit scheme in Udi LGA?

iii. What is the socio- economic characteristics of farmer borrowers in Udi LGA?

iv. What factors influence access to micro-credit in micro finance banks?

1.5 Research Hypotheses

This study will be guided by the following hypotheses.

Hypothesis 1. $H_{0:}$ Access to micro credit among Udi Farmers is positively influenced by their educational Level, farm size, Farming experience, extension contact and farm income.

Hypothesis 2. H_0: Access to micro credit among Udi Farmers is negatively influenced by gender.

Hypothesis 3. H_0: Access to micro credit facility among Udi Farmers is significantly influenced by membership of farmers' corporative.

1.6 Significance of the Study

Micro finance is a financial service of small quantity provided by financial institutions to the poor. These financial services may include savings, credit, insurance, leasing, money transfer, equity transaction, etc. that is, any type of financial service provided to customers for meeting their normal financial needs, life cycle, economic opportunity and emerging with only qualification that transaction value is small and customers are poor.

It is obvious that Nigeria cannot end poverty and reach the MDGs if adequate commitment is not made to address the issue of empowering the rural poor to positively engage in sustainable economic activities. Micro financing is generally associated with poverty alleviation interventions, income distribution amongst a wider section of population as well as purchasing power redistribution where large numbers of people do not have enough purchasing power to participate in a market economy. It is associated with savings in small amount and small loans, the affordability, availability, accessibility of small loans in a flexible, sensitive and responsive manner.

Micro-finance is providing financial services, savings and credit to poor households that do not have access to formal financial institutions. It is considered the world over as a veritable tool in poverty alleviation. Recovery experience has been quite satisfactory. The microfinance clients are low-income persons typically self-employed and often household based entrepreneurs. In rural areas, they are usually small farmers and others who are engaged in small income generating activities such as food processing and petty trade. In urban areas, microfinance activities are more diverse and include shopkeepers, service providers, artisans, street vendors, etc. Within the microfinance industry, the term micro financial institutions have come to refer to a wide range of organizations dedicated to providing these services.

This study is therefore important as its outcome will be useful to policy makers and implementers of development programmes in Nigeria. It could equally be adapted in similar society to address the challenges associated in successfully prosecuting micro-financing in the country. It is expected that students and researchers in development related discipline will find the work invaluable. The work is also hoped to accentuate valuable insight on the preparation of Enugu State in terms of attaining the Sustainable Development Goals geared towards poverty alleviation.

1.7 Scope of the Study

The scope of this study is limited to disparity in access and utilization pattern of credit facilities by farmers in Udi LGA of Enugu State. Whatever will be the outcome of the research from this study area will be used in extrapolating for the entire Enugu State. In the course of our research, we intend to limit our focus to issues involving farmers residing or operating in Udi communities. Where anything to the contrary would be done, such will be for the purpose of comparative study.

The time dimension of this study shall be limited to the period 1999 – 2014. This is the period where Nigeria, nay Enugu State, is experimenting democratic governance. It is expected that democratic governance should be more people oriented and better disposed to alleviating the menace of poverty among the people. Again, the issues of equality in access to social, economic and political rights are often more guaranteed in a democratic society.

1.8 Limitations of the Study

This study limits itself to access and utilization pattern of credit facilities by farmers in Udi LGA. Its scope however cannot give a holistic picture of the problems and prospects of micro financing in complex society like Nigeria. Consequently, this researcher recommends for a comprehensive research into vital areas that will complement this very effort. Such areas recommended for future research will include, but not limited to, the following;

i. A study of micro-financing and poverty alleviation in South-Eastern Nigeria

ii. Equity issues involved in accessing micro-credit scheme by female and male entrepreneurs in Nigeria.

iii. A comparative study on access and utilization pattern of micro-financing between rural-based and urban-based farmers in Nigeria.

1.9 Conceptual Definitions of Terms Used in the Study

Micro finance: Provision of thrift, credit and other financial services and products of very small amounts to the poor in rural, semi urban or urban areas for enabling them to raise their income levels and improve living standards.

Micro financial providers: Micro financial providers are those, which provide thrift, credit and other financial services and products of very small amounts mainly to the poor in rural, semi - urban or urban areas for enabling them to raise their income level and improve living standard which may also include non-governments.

Overdue: It is conceptualized as the non- repayment of any part or full amount of loan by the borrower to the any financial institutions within the time specified for the repayment.

Saving: Refers to the various kinds of deposit amount of the farmers/ beneficiaries and others kept in the any financial institutions.

Micro credit: Refers to a small loan to a client made by a bank or other financial institution

Loan: When a lender gives money or property to borrower and the borrower agrees to return the property or repay the borrowed money, along with interest, at a predetermined date in the future

Interest: The charge for the privilege of borrowing money, typically expressed as an annual percentage rate.

Repayment: The act of returning money received previously.

Lending: To provide (money) temporarily on condition that the amount borrowed be returned, usually with an interest rate.

Credit: A contractual agreement, in which a borrower receives something of value now, with the agreement to repay the lender at some date in the future.

Self employment: The status of an individual who rather than accepting a position as an employee of another person or organization choose to go into business for him or herself.

Self help groups: These are voluntary groups come together for obtaining loans from financial institutions in order to employ income generating activities to improve their standard of living.

Credit delivery models: These are the path through which micro finance/credit flow from apex level institutions to ultimate SHG members.

CHAPTER TWO

REVIEW OF RELATED LITERATURE

2.1 Introduction

For about three decades, there has been a considerable advance in understanding and providing financial services geared towards eradicate poverty and enhancing development. This includes providing the financial means to save, access credit, and start small businesses, with the potential to enhance community development, as well as local and national policy making. When properly harnessed and supported, microfinance can scale-up beyond the micro-level as a sustainable part of the process of economic empowerment by which a nation can attain macro-economic development.

We may reiterate the fact that problems and solutions are not isolated phenomena. They occur within an interconnected system in which actors and actions have reciprocal consequences. Consequently, poverty eradication is a complex mission and requires commitment, cooperation, and cohesion at all levels of development – individual, household, community, national, and global. While microfinance alone does not improve roads, housing, water supply, education and health services, it can play an important role in making these and other sustainable contributions to the community.

It should be deduced that as microfinance becomes more widely accepted and moves into the mainstream, the supply of services to the poor may likewise increase, improving efficiency and outreach, while lowering costs. This, in turn, can have a multiplier effect on people's standard of living. Perhaps the greatest contribution of microfinance is that it empowers people, providing them with confidence, self-esteem, and the financial means to play a larger role in their development. The potential of microfinance far exceeds the micro-level, scaling-up to address macro-problems associated with poverty eradication.

It has been noted that collective and cooperative support is a critical microfinance strategy at both the local level, in the form of solidarity groups, and at the national and regional level in the form of networking groups (Dunford, 2001; Barnes et.al, 2001; Adeyeye, 2003). Collective organization such as association of farmers has several advantages in microfinance initiatives, the foremost that they pool together human and material resources. In Africa, group organizing has proven itself as an effective strategy for MFI sustainability that Africans are especially predisposed. Group formation for individual and community goals is a pre-existing, "homogeneous" mode of organization in Africa that already operates in traditional financial schemes and is readily adaptable to new microfinance initiatives (Olomola, 1999; Adeyeye, 2003).

2.2 Microfinance: A Historical Overview

Microfinance is the term that has come to refer generally to such informal and formal arrangements offering financial services to the poor. Microfinance has existed, although mostly in the shadows and unseen by casual observers, since the rise of formal financial systems, and indeed probably predates them. It has only been within the last four decades, however, that serious global efforts have been made to formalize financial service provision to the poor. This process began in earnest around the early 1980s and has since gathered an impressive momentum. Today there are thousands of MFIs providing financial services to an estimated 100 - 200 million of the world’s poor (Christen et al., (1995)).

It may be pertinent to note that what began as a grass-roots “movement” motivated largely by a development paradigm is evolving into a global industry informed increasingly by a commercial/finance paradigm. The rise of the microfinance industry represents a remarkable accomplishment taken within historical context. It has overturned established ideas of the poor as consumers of financial services, shattered stereotypes of the poor as not bankable, spawned a variety of lending methodologies demonstrating that it is possible to provide cost-effective financial services to the poor, and mobilized millions of dollars of “social investment” for the poor (Mutua, et al. (1996)).

We also noted that the animating motivation behind the microfinance movement was *poverty alleviation*. Not only that, but microfinance offered the potential to alleviate poverty while paying for itself and perhaps even turning a profit-“doing well by doing good.” This potential, perhaps more than anything, accounts for the emergence of microfinance onto the global stage.

Scholarly interest in microfinance has lagged behind industry development, but it too is now growing rapidly. Before 1997, academic journals published only an occasional article on microfinance, but since that time, it has been observed that academic journals have published hundreds of peer-reviewed articles on the topic. Nonetheless, microfinance has yet to break into finance journals. This despite the term *finance* in micro*finance* and the fact that the basic products offered by microfinance institutions (MFIs) - namely investing (savings), lending (credit services), and insurance (risk management) - are all well-established topics of mainstream finance research.

2.3 Micro Financial Institutions: Issues on Self-Sufficiency and Sustainability

A cardinal problem facing most micro financial institutions is that of sustainability. In microfinance literature and parlance, sustainability is equated with financial self-sufficiency. A number of studies have indicated the concern that most MFIs are able to operate without covering their costs due to subsidies and gifts from governments and other donors.

Morduch (2000) and Woller et al. (1999a)) have observed that microfinance industry is dominated by an *institutionist* paradigm. They also assert that in spite of this development, MFI should be able to cover its operating and financing costs with program revenues. The conceptual foundations of the institutionist paradigm are argued to stem to a large extent from the work of researchers at the Ohio State University's Rural Finance Program. Their analysis of the failed rural credit agencies established by several LDC governments during the 1960s and 1970s diagnosed the primary cause of failure to be the "lack of institutional viability" (Gonzalez-Vega (1994)).

The diagnoses by the above group led logically to two principal conclusions viz:
(1) Institutional sustainability was key to successful provision of financial services to the poor and (2) financial self-sufficiency was a necessary condition for institutional sustainability. The institutionist argument is consistent with Hollis and Sweetman (1998a) who discuss six historical cases in an attempt to identify the institutional designs that facilitated success and sustainability for 19th century loan funds in the UK, Germany, and Italy. The authors conclude that subsidized loan funds were more fragile and lost focus more quickly than those that obtained funds from depositors.

In contrast to the proposition by the institutionists over the issue of sustainability, the *Welfarists* argue that MFIs can achieve sustainability without achieving financial self-sufficiency (Morduch (2000), Woller et al. (1999a)). They argue that donations serve as a form of equity, and as such, the donors can be viewed as social investors. Unlike private investors who purchase equity in a publicly traded firm, social investors do not expect to earn monetary returns. Instead, these donor-investors realize a social, or *intrinsic*, return. Social investors can be compared to equity investors who invest in socially responsible funds, even if the expected risk-adjusted return of the socially responsible fund is below that of an index fund. These socially responsible fund investors are willing to accept a lower expected financial return because they also receive the intrinsic return of not investing in firms that they find offensive. Microfinance social investors take this notion to the limit, generally earning zero financial returns and relying totally upon intrinsic returns.

Welfarists tend to emphasize poverty alleviation, place relatively greater weight on depth of outreach relative to breath of outreach, and gauge institutional success more so according to social metrics. This is not to say that neither breadth of outreach nor financial metrics matter. They feel these issues are important, but they are less willing than institutionists to sacrifice depth of outreach to achieve them. Welfarists envision an industry characterized by a plurality of institutional types-including both profit-seeking and social-mission entities-targeting different markets, with different combinations of market and non-market funding, and with different levels of commitment to social versus financial return.

Morduch (2000) refers to the debate between institutionists and welfarists as the "microfinance schism." Driving the schism are competing perceptions of the implications for financial self-sufficiency on depth of outreach. General consensus holds that there exists a tradeoff between financial self-sufficiency and depth of outreach (e.g., von Pischke (1996)). But masked by this consensus is much disagreement about the nature, extent, and implications of this tradeoff.

Nonetheless, what little evidence exists suggests that those MFIs that have achieved true financial self-sufficiency have also tended to loan to borrowers who were either slightly above or slightly below the poverty line in their respective countries (Navajas et al., (2000)). These MFIs are able to capture economies of scale by extending larger loans to the marginally poor or non-poor. Although still an open question, this limited evidence leads many to conclude that if financial self-sufficiency is desired, then the very poor will not be reached by MFI services. That is, the MFI will not be able to achieve enough depth to reach those who need credit the most desperately.

An important area of financial research that has yet to be rigorously explored but which has significant potential to inform the debate mentioned above is the feasibility of introducing microfinance into the world capital markets. With the high repayment rates of many MFIs, there exists the potential to tap MFIs into world capital markets through instruments such as commercial banks loans, commercial paper, bond financing, equity financing, or through the bundling and securitization of MFI loans. Determining avenues to permit investment in MFIs via capital markets is an area of research that seems tailored to the tools and theory of finance academics.

Issues surrounding MFI sustainability and self-sufficiency, and the implications/tradeoffs implied therein seem well-suited for finance researchers. Few rigorous studies have been conducted in a financial institutions framework to develop and test theory pertaining to MFI self sufficiency. Some evidence does exist however, that MFIs have historically been very resilient and sustainable. Hollis and Sweetman (2001) discuss the microloan funds in 18th and 19^{th} century Ireland. They report that Irish loan funds thrived for over 100 years due to their ability to change rapidly to external conditions, at one point providing financial services for 20% of Ireland's population.

It took a combination of formal bank lobbying that resulted in anti-MFI legislation and the Irish potato famine to cause the demise of these early loan funds (2001) provide a more recent historical example of the resilience of MFIs and their clientele. They compare the performance of the Indonesian MFI Bank Rakyat Indonesia (BRI) to formal Indonesian banks during the East Asian financial crisis. They find that BRI performed superior to the formal banking sector when comparing both loan repayment rates and savings rates of members.

2.4 Micro-Finance and Poverty Alleviation

Whatever angle we look at it, a fundamental question for the motivational underpinnings of microfinance should be whether it is a viable strategy for poverty alleviation relative to other poverty alleviation policies. Adams and von Pischke (1992) try to answer this question directly by comparing modern (1990 era) MFIs to the failed rural credit agencies established by LDC governments in the 1960s and 1970s that not only did nothing to advance poverty alleviation but also wasted millions of dollars of public funding. After comparing the operational framework of modern MFIs to rural credit agencies, the authors conclude that the modern MFI industry is destined for failure because of the similarities between the two.

In partial support of the propositions of Adams and von Pischke, Buckley (1997) attempts to provoke critical reflection on the uncritical enthusiasm that lies behind much proselytizing of microfinance. He discusses field summary data from Kenya, Malawi, and Ghana and concludes that fundamental structural changes in socioeconomic conditions and a deeper understanding of informal sector behavior are needed for microfinance to prove effective.

Schreiner (1999), Sanders (2002), and Bhatt (1999) provide support for the argument that microfinance may not be an effective poverty alleviation policy in the US. Schreiner analyzes US microenterprise programs and finds that although some programs can move some people from welfare to self-employment, it only works one percent of the time. Additionally, Schreiner shows that those who are successful in the transition have above average assets, education, experiences and skills.

Sanders tests the impact of microenterprise development programs and calls into question their effectiveness as an antipoverty strategy. Meanwhile Bhatt (1999) finds that the evidence for the impact of U.S. microenterprise programs is mixed: some programs have worked while others have failed. Schreiner and Woller (2003) compare evidence about the effectiveness of microenterprise programs in developing countries and the US. They conclude that microenterprise development is much more difficult in the US than in developing countries, and they suggest some ways to address the challenges of US microenterprise development.

In contrast to the arguments of Adams and von Pischke, Woller et al. (1999a) argue that the current microfinance movement is very different from the failed rural credit agencies of the 1960s and 1970s, thereby making direct comparisons between the two invalid. They list several reasons why the prospects for success are better today than before. Additionally, Woller and Woodworth (2001) argue that to date, top-down macroeconomic poverty alleviation and development policies also have likewise experienced significant failures. Consequently, they argue that microfinance constitutes a potentially viable bottom-up policy option in lieu of or, preferably, as a complement to effective macroeconomic poverty alleviation and development policies.

In support of Woller and Woodworth, Weijland (1999) analyzes a sample of over 4,000 Indonesian rural clusters and concludes that hyper-poor but clustered groups can serve as a seedbed for industrial development. Other studies reach more ambiguous conclusions about the effectiveness of microfinance as a policy tool. Analyzing MFIs in Nepal, Bhatta (2001) concludes that due to the topology and extreme poverty levels in Nepal, it will be difficult for MFIs to have any meaningful impact on poverty. Nonetheless, he goes on to suggest that MFIs should expand into the hill and mountainous areas and target women so as to increase the probability of success. In their 2001 study of microfinance programs in sub-Saharan Africa, Snow and Buss (2001) conclude that better goal-oriented assessment is needed to determine if microfinance is an effective policy for poverty alleviation.

However, there is a fundamental linkage between microfinance and poverty eradication in that the latter depends on the poor gaining access to, and control over, economically productive resources, which includes financial resources. For the resource-poor of Africa, survival often depends on subsistence agriculture and/or small income-generating activities at the home or in the local marketplace. In many instances, microenterprises rather than formal employment create an informal economy that comprises as much as 70% of the national economy. Yet the lack of saving and access to finances creates a state of perpetual scarcity, a poverty cycle that restricts people's potential to improve their livelihoods.

As already noted, the lack of financial services is not the only limiting factor in income generation: other pervasive social, economic, and political barriers also play a key role. Within this complex system, however, there is a clear need for better microfinance services for Africa's poor, which can play a key role in poverty eradication.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The data used in this paper has been collected from both primary and secondary sources. For collection of primary data, a survey was carried out to evaluate access and utilization pattern of micro credit facilities by farmers in Udi LGA, Enugu State, Nigeria. The research methodology adopted stressed a participatory perspective, providing a space for a broad spectrum of stakeholders in the agricultural sector to express themselves.

It is observed that African microfinance is as diverse as the continent itself. An array of approaches have been used, ranging from traditional kinship networks and Revolving Savings and Credit Associations to NGOs and development projects, and funded by both the informal and formal financial sectors, as well as domestic and international donors. Consequently, examples of African microfinance offer an array of lessons of what works and doesn't work. This section summarizes some of the key principles for microfinance institutions (MFIs) to become more ideologically and institutionally sustainable, building their capacity to better serve the poorest while becoming financially viable and self-reliant. It is understood that there is no blueprint for microfinance initiatives; each initiative must adjust to the specific cultural, political, and economic setting in which it operates.

3.2 Research Design

The Survey research method was adopted for this study. This was done due to the large number of subject under investigation. To study a very large population as is the case in the communities chosen to be studied in Enugu State could be very cumbersome for any researcher. In the word of Osuala (1987:180) states:

> *Survey research studies both large and small population by selecting and studying samples chosen from the*

populations to discover the relative incidence, distribution and interrelations of sociological and psychological variables … Survey research focus on people, the vital facts of people and their beliefs, opinions, attitudes, motivations and behaviours.

3.3 Sources of Data

Data for this study was primarily sourced from both primary and secondary sources.

3.3.1 Primary Sources

This represents information that was obtained directly from the field in the course of this study. In this respect, oral interviews will be conducted among some respondents. A close ended questionnaire was used to obtain information from the respondents in both rural and urban communities of interest. This instrument was divided into two sections. Section "A" contained questions on the social and demographic background of respondents while section "B" addressed contextual issues of primary concern to the subject matter of this research work.

Qualitative data was collected through Focus Group Discussion (FGD), Key Informant Interview (KII) and direct observation. In all, FGDs was conducted with select group of farmers who have either benefitted from or previously applied for micro credit facilities from Micro Credit Institutions. . Key Informant Interviews was conducted with managers of micro finance institutions. Armed with these, the researcher was able to gain an insight into their organizational structure and objectives.

Focus Group Discussions (FGDs)

This depicts a means of gathering in-depth information from a small group representing target audience through a guided discussion of issues of primary importance to the research topic. FGDs are imperative in obtaining insights into behaviour, ideas and suggestions.

They equally help researchers to find out the ‘why’ about issues being addressed. By implication, the Focus Group Discussion enables the researcher to uncover underlying motivations and attitudes and is equally effective in encouraging the submission of new and hitherto hidden suggestions. The FGDs, organized as conversation, involve a maximum of 12 and minimum of 5 persons and promote consensus building on pertinent issues that border on peoples’ perception, tacit knowledge and behaviour.

Structured Questionnaire

The structured questionnaire is a quantitative data instrument intended to give respondents the opportunity to express their independent views on a number of aspects of the study variable this, it is argued, must be done within a rather closely defined alternative (Selara, 2003). It must also be designed to elicit specific responses with regards to answering the research questions and testing the hypotheses formulated (Nwosu & Uffoh, 2005). The questionnaire has the advantages of turning up more valid data that can be easily quantified. For our purpose, a set of close-ended questionnaire was prepared and administered to selected group of farmers in the study area.

3.3.2 Secondary Sources

In the course of our investigation, relevant information was sourced from related published works such as textbooks, journals, newspapers, magazines and other unpublished materials relevant to the study.

3.4 Area of Study

This work limits it study area to Enugu State, South Eastern Nigeria with specific emphasis in Udi LGA. Enugu state occupies a surface area of about 8,000sq. Km. It is located between latitudes $5^{o}55''$and $7^{o}10''$ North and longitudes 6^{o} $50''$ and 7^{o} 55”East. It is bounded in the East by Ebonyi state, in the west by Anambra state, in the north by Kogi and

Benue states and in the south by Abia State. Figures from the 2006 National population census show that Enugu State has a total population of 3,257,298. Of this number, male constitutes 1,624,202 while the population of females is 1633096. The State is ethnically homogenous, with majority of the inhabitants being of Igbo origin. Igbo remains the dominant language. However, it is spoken with variety of dialects, as is the case with the Nsukka people. Again, pockets of communities around the Benue /Kogi border speak Idoma and Igala Languages respectively. Enugu State at present has 17 Local government areas (LGAs). About 59% of the population lives in the rural areas. The 3 LGAs in Enugu municipality together accounts for 22% of the population and, Nsukka, a rapidly growing University Community, a further 10% of the population. The other 13 LGAs are mainly rural, with widely varying population densities between 60 persons per square kilometer for Uzo Uwani in the west of the state and more than 500 persons per square kilometer for Igbo Eze in the North (Ukwu, 1998). Figure 1 below shows the location of the LGAs in Enugu state on the map.

Figure 1: Map of Enugu State

Source: Enugu State Ministry of Information.

The population of these LGAs as stratified along sex divides is as shown in table 3.3.1.

Table 3.1: Population of Enugu State

S/No	L.G.A.	Population	Males	Females
1	Igbo-Eze North	259431	138006	121425
2	Igbo-Eze South	147328	78308	69020
3	Udenu	178466	87000	91466
4	Isi-Uzo	148415	72865	75550
5	Igbo-Etiti	209248	104162	105086
6	Nsukka	309633	149241	160392
7	Uzo-Uwani	124480	67622	56858
8	Ezeagu	169718	84053	85665
9	Udi	234002	115579	118423
10	Enugu East	279089	132816	146273
11	Nkanu East	148774	75119	73655
12	Enugu North	244852	121625	123227
13	Enugu South	198723	94461	104262
14	Nkanu West	146695	72326	74369
15	Aninri	133723	69765	63958
16	Awgu	198134	95421	102713
17	Oji-River	126587	65833	60754
TOTAL		**3,257,298**	**1,624,202**	**1,633,096**

Source: **National Population Commission, 2006 Census Estimate.**

In this work, we shall base our emphasis on Udi LGA

3.4.1 Udi Local Government Area

Udi is one of the seventeen (17) Local Government Area of Enugu State, Nigeria. Its headquarters is in the city of Udi. It has an area of 897 km² and a population of 234,002 at the 2006 census. The postal code of the area is 401.

Udi is land of the free and home of the great. It is a land of love and liberty, the abode of free spirits and benevolent beings of bodily and divine dimensions. From as far away as coastal-delta lands and from north of the border, people have moved in and settled in the area. Since the beginning of human activities in the theater of Igbo civilization, people have come and left. The Arochukwu immigration-emigration, mostly from Amuvi village, is a good contemporary example of the free flow of human traffic through Udi country.

Nomenclature

The people we today call “Ndi Udi” (people of Udi) are a part of the greater Agbaja people of the Igbo race. Agbaja comprised of peoples between the wooded lands of Awka (capital of Anambra State) to the rocky valleys of Enugu (capital of Enugu State). Agbaja is made up of communities in present-day Udi, Ezeagu, Igbo-Etiti, Oji River, greater Awgu, and Enugu East Local Government Areas. However, the influence of Agbaja has extended to lands beyond.

Udi town itself, now known popularly as “Udi Kpo̱mkwem,” was the traditional headquarters of the Igbo northeast subregion that I have called "Waawalandia." [The Waawa country extends from Awka to beyond Abakaliki.] This was probably due to its panoramic location on the sunny side of Udi Hills, plus a people with big hearts living in an easily accessible savannah country. There are other reasons for the prominence of Udi that are outside the scope of this presentation. However, the term “Udi” no longer applies exclusively to the town of Udi (*Kpo̱mkwem*), which is fast urbanizing. Currently, in popular parlance, "Udi" can refer to the totality of people living west of the Coal City, Enugu - roughly the same geopolitical Udi Division of yore.

Antediluvian Agbaja

In many Igbo legends, a certain man sires seven sons, who beget the seven villages. The rest is a matter of who has the most convincing story. Udi is no exception. It is agreed that Agbaja begot many sons. They are Neke, Oshie Aniugwu, Ojebe Ogene, Ugwunye, Ezedike, and the founders of Ezeagu, etc. As in such stories, these sons married and had children who founded towns; the sons of the children founded the villages. Some stories sometimes go off the tangent; others tow the well-hewn path in Igbo mythology. Somewhere along the line, we get back to the same basic conclusion: We are all brethren in humanity.

The fact remains that no one knows exactly who first inhabited a particular part of any country. Even on a virgin land with no sign of previous human habitation, no one can claim to be the founder of such settlements. In parts of Igboland, original populations have survived with such names as “Umuamadiala” or "Umudiani" (sons of the soil), even when those who claim ancestry to recent immigrants dictate the culture. Nri is a very good example. For the purpose of this presentation, let us agree that Agbaja moved into the area, produced seven children with some lady or ladies, and so the story began.

Neke

According to legend, Neke had seven sons collectively called Umuneke: Udi, Abia, Okwe (Amaokwe), Agbudu, Agu (Obinagu), Abi Ezike (Umuabi), and Aga (Umuaga). These sons of Neke had children, who founded villages. Example: the five sons of (*umu*) Abi Ezike are Abia, Ighum, Alugwo, Ogbuabala, and Ufiala [See http://www.expage.com/page/umuabi/]. Udi has Ezechime, Ekeneene, Amægu, Okuniino and Umuoka; Abia has Agbaani, Enugu-Abia, and Ogwugwu. Aga might be the last born, but he was apparently the most procreative; in Umuaga town, we have: Umunnacha, Umuokpala, Umueze, Umuabianta, Umualum, Amaata, Umuataaguma, Umuataogene, Umuamom, Ishiagu, Ndibinagu, Obodoinyi, Umuaneke, Umuonaga, Umungwu, Umuchime, and Abanibo.

Oshie

A version of the Neke legend has it that Oshie, another son of Agbaja, married Nsudi and had two sons and a daughter (a departure from the seven-son song). They are: Eke, Nsude, and Nneke — the daughter. Some Oshie descendants believe that Nneke married and begot Udi, Abia, parts of Amaokwe (Idedu). Now, whom did Nneke marry? Neke? Or, was "Nneke" actually "Mrs. Neke"? This claim does not add up because "Nneke" would be married to her paternal uncle Neke. Obioma, sandwiched between Abia and Nsude, claims direct descent from Neke and or Oshie.

Eke has seven sons (back to the norm!). Two of Eke sons died young. The survivors are: Amankwo, Amufia, Enugu, Ogui, and Oma. The Ajali River forms the boundary between Eke and Owa, now in Ezeagu Local Government Area (LGA). Note that names of towns do not always coincide with the names of legendary founders. Enugwu, for example, is more a geographical nomenclature than a corruption of the popular name "Ene-Ugwu." In Amaokwe, we have Onicha, Enugwu, Uwaani, etc.; In Umuaga: Ndibinagu (those who live in the woods), Amaata (pine grass square), Ishiagu (head of the woods), and Umuaro (children of Aro settlers); etc.

Ojebe Ogene

North of Oshie clan, we have the children of Ojebeogene. Some authors believe that Ojebe Ogene was a woman, but no one says whom she married; besides, matrilineal descent is rare in Igbo mythology. So the patrilineal argument holds in almost all cases. Jude Akubuilo, Ph.D., a Beverley Hills-based attorney, confirmed that Ojebe Ogene had seven sons. Writing in Waawanet, Dr. Akubuilo ("Okeosisi Ojebeogene") pointed out on Sunday, June

27, 1999 that “Ebe is the eldest, followed by Abor, Ukana, Awhum, Okpatu, Umulumgbe, and Ukehe.” Ukehe is now in Igbo-Etiti (Nsukka zone), but its link to Ojebe Ogene legend is not in dispute. The other Ojebe Ogene towns formed part of defunct Odo Ozo LGA. Ukehe is not the only Agbaja son out of the Udi loop; Nike, as we shall see, is now in Enugu East (Nkanu) senatorial sphere.

Ugwunye

The fourth group of communities in Agbaja sphere is Ugwunye. It is made up principally of Affa, Egede, and Nike. Nike is no longer in Udi political sphere, but the Umuugwunye link remains.

Ezedike

In this group of direct brethrens are grouped the following towns are: Akpakwume, Nze, Oghu, and Umuoka, all gateways into Nsukka communities.

Ngwo

In “What does Enugu mean?” Ikechukwu Ude-Chime told an interesting story of the people we now know as Ngwo, a part of today’s Udi LGA. Ngwu Nwangwuako was a great hunter from Neke (probably from outside Agbaja proper). He had ten children known collectively as Ngwuo Ili. One of the sons was Amaudeneogu, whose name his descendants adopted for their village and, because of the location of their village on a hilltop (“enu ugwu”), they became Enuugwu Amaudeneogu.

“Enugu” is an Anglo adulteration and shortening of the word “Enuugwu Ngwuo.” It is also a fallacy in naming of the city: You see, the city of Enugu is situated in a valley, on the farmlands of Ngwo, not on top of a hill as the name suggests. “Uwaana” (valley) or

“Uwaani” (a quarter in today’s Enugu) comes closer to defining the geography of the capital of Igbo nation.

Colonial

Communal spirit, extended-family structure, and responsive republicanism of Udi people of Igbo heartland made developmental work under colonialism much more effective and efficient and the people’s progress possible. Many communities from as far away as the emirate of Gwandu sought to learn from the Udi experience. Udi did not swallow colonialism hook, line, and sinker. Everyone, black or white, could settle in Udi and coexist constructively and peacefully. However, when the European tourists turned around to rule, the people refused the concept of taxation without representation.

Chief Onyeama n’Eke acquiesced to the tyrannical repudiation of popular participatory politics (oha na eze). The people revolted. This spirit of revulsion at oppression was reenacted in the Udi Revolt and the bloody Coal Miners' Strike (Iva Valley, Enugu) of November 18, 1949 which signaled the beginning of the struggle for independence. One must not forget the refusal of Udi people to succumb to an attempted demystification of the “Mmanwu” mores by the colonial Chadwick regime. Udi people are neither protesters nor pushovers; any attempt to arrogate oneself to the pinnacle of absolute power is almost always resisted. Udi folk did not fight the coming of Europeans, decades after they had established bases in southern Igbo communities, but they could not tolerate the concept of recent immigrants using local thugs to lord it over a responsively republican race. It is no coincidence that Udi was the first political capital of lands east of the Niger. The capital was only moved to Enugu after the discovery of coal in Udi Hills.

Regardless of the oppressive ways of colonialism, Udi people embraced the wisdom of western education en masse. No wonder Udi marked the beginning of mass literacy in

Nigeria. The movie, "Daybreak in Udi," awakened in the people in and around Udi and beyond to the new wave of formal education. The increased consciousness in formal education was responsible for the large turnover of teachers of Udi extraction at independence in 1960.

Culture

There is a certain commonality of culture in the Udi area, but it varies as much as cultural diversity in Igboland. For example, *Odo* festival occurs in northern parts of Udi (Odo Ozo area), while *Mmanwu* appears more from Oshie to Neke communities. Eke is a town of both Odo and Mmanwu. Umuabi had the strongest attachment to the Mmanwu phenomenon; Nachi, much less so. Umuaga, besides its strong Mmanwu culture, has the popular *rites of rebellion* called Okomoyo, during which the young are allowed to revel all-night long under the supposedly watchful eyes of older folk. There are slight differences in New Yam festivals, marriage particularities, masquerade initiation rites, title-taking rites, etc. Most importantly, no Udi town speaks exactly the same dialect as the other. Many people can detect the differences in all Agbaja dialects.

Udi people have a worldview that is not very different from mainstream Igbo communities. They believe in the sacredness of Ani, the Earth deity, and in the supremacy of Chi Ukwu (Almighty God). Each town in Udi has at least one major deity, a being force (*alusi*) to which a shrine is built. For example, Ani Udi, Nneche Umuaga, Aniobodoishiokwe, etc. Onu Eke Oga belongs to Abia, Amaokwe, and Udi towns, possibly in honor of their common Oshie ancestry.

Different towns have different taboos. For example, the people of Umuaga do not eat snails, but they won't stop Amaokwe ladies from collecting as much as they could carry — as long as they do not destroy farm crops or use an indigene's utensils to eat or drink. In Ngwo, Afia

Usu market is located beneath giant cotton trees on which bats habit in their thousands. Though eating bat is not prohibited, no one hunts bats at the market. Oshie communities curiously do not intermarry, for they are descended from one man; curious because intra-marriage occurs in these communities. Intermarriage is virtually zero between the people of Nsude, Eke, Amaokwe, Abia, and Udi.

Government

Like most communities in Igboland, Udi people are republicans from time immemorial. They had no kings, and they had no organized military or police force. In fact, there have no formal judicial nor penal system. On June 19, 1973, Ichie Noo Udala of Umuaga, aged c.102, stated the obvious:

> *Before the white man came we had no chief that saw to the affairs of the town. But we had several institutions that helped us organize our activities. The government of this town was not vested in one man. …. In the olden days, each village had a person that we could now call a chief to head the town's political and administrative activities. This man was normally the oldest man of that village, and was called onye ishi ani. Within this village we have another man that heads the affairs of a 'lineage' or umunna called okenye umunna. During any cases affecting the whole town, the ndi ishi ani, village heads, would meet and discuss effectively the issues involved. They met as equals….*

And so it was until a certain Agbaja man from Eke named Ozo Amulu Onwusi married a beautiful lady from Ebe named Chinazungwa Ijeonyeabo. They had a son, Onyeama. He grew up to become the nearest Agbaja came to having one identifiable ruler in living memory. The legacy of Onyeama is captured in Dillibe Onyeama's book: Chief Onyeama: The story of an African God. The first and last Okwuluoha Agbaja and an autocrat by all accounts, he is credited with making possible the establishment of Enugu as the fastest growing metropolis of the last century, One hundred years ago, Enugu was a farmland; today, it is the political capital of the Igbo nation.

Natural Resources

Natural resources are abundant in Udi. *Okpa*, also called bambara nut, is a ritualized plant in parts of Udi. One seed could yield as many as 200 seeds within months of cultivation, without serious tending, weeding, or fertilization. The palm trees of Udi yield the best palm wine on earth. Tappers from far and wide agree that Udi "up wine" is made of divine stuff. Cashew trees grow freely in the area, requiring serious control. Cassava, yams, stringed beans, vegetables, peppers, garden eggs, oil beans, tropic fruits, and assorted agricultural products come from Udi. The lands of Udi harbor minerals such as high-quality coal, iron ore, and petroleum. And we have not looked hard enough for gold!

Udi Women

Udi and the entire Agbaja have the most beautiful, the sexiest, and the most powerful women in Igboland. And they make the best wives. Such a combination does not exist just about anywhere in the whole wide world. Udi women adapt easily. They make the best homes. At some point in the 80s, some communities expressed concerns at the rate Udi daughters married outside the area. Then again Udi married marry some of the best from outside the area. It is no wonder that one of the world's most beautiful girls is from Udi, and she married one of the most recognizable men in the world, Dim Chukwuemeka Odumegwu-Ojukwu, the leader of the Biafran Revolution.

What Ikemba Nnewi (Odumegwu-Ojukwu) wrote about Miss Bianca Onoh, in "*Because I am involved*" (1989) is true of Udi women:

"What can I say about this very beautiful young girl that won the 1989 Miss Inter-Continental pageant? … [If] I exclaim with all men that she is beautiful, it would be like standing in front of the Empire State Building in New York and exclaiming that the building is high. I would be stating the obvious and it would be trite.

And you wonder why he crossed the proverbial seven seas to marry her. Before Bianca's brain and beauty, many Udi women were powerful and successful ladies of their times: Mrs. Vero Onyia, prominent Lagos entrepreneur and socialite; Lady Neboh, former NPN women leader; Dr. (Mrs.) Ngozi Ene, Librarian ESUT; Dr. (Mrs.) Maria David-Osuagwu, university dean; Dr. (Mrs.) Maludi Mgbo, former Head of State Civil Service, Enugu State; etc. There are countless other professionals who married home or abroad. Don't forget: Udi women have the best coordinated dance steps anywhere on terra firma; it is in their genes.

Udi Men

Starting from the progenitor Agbaja, great men come from Udi neck of the woods. Udi has seen a long line of great men. The legendary Ichie Nnebe Uzo introduced iron smithery to Awka; he was an Udi son. Obviously, Udi people were accomplished technologists before Nnebe took the technology to Awka, which mastered and ritualized the art of ironworks. Regardless of the tyranny of Onyeama, he was the greatest Igbo king in the last century. The first Igbo medical doctor was Dr. Simon Ezevuo Onwu, son of Ozo Ofianaechafa of Amaozala, Affa. The first Nigerian World Court Judge Justice Charles Dadi Onyeama, a contemporary of Dr. Onwu, was also an Udi son from Eke. The first pilot hailed from these lands.

Udi has produced prominent personalities, including Nigerian Supreme Court Justices Philip Nnaemeka Agu and Anthony Aniagolu. From Chief Gabriel Onoh, father of Chief C. C. Onoh through great professors (Odenigwe, Egudu, Aneke, Ene, Chime, Nebo, etc.) to Charles Dillibe Onyeama, one of the first two Africans to attend the exclusive English Eton College, Udi men have left footsteps on the sand of time. Great teachers, technocrats, and technicians, Udi has produced them all: Achu, Agu, Agbala, Akpu, Ali, Aneke, Ani, Chime, Ebulu, Egudu, Ekwe, Ene, Enenwali, Eze, Ezeogba, Nebo, Nevo, Ngene, Ngwu, Njeeze, Obodo, Ochi, Odenigbo, Odenigwe, Odo, Offor, Ogakwu, Ogbata, Ojiibe, Ome, Onaga, Onoh, Onovo, Onyia, Owoh, Ozo, Udala, Ude, Ugwu, etc.

Conclusion

Udi, the anvil of Waawa awareness, is not where it should be in terms of modern development. Mass literacy campaign started in Udi when others believed only the rich and wealthy went to school. Udi should house an institution of higher learning in this decade. With the busiest highway vehicular junction in Africa at Ninth Mile Corner and a culture of ironworks, Udi should be a manufacturing and distribution center. The tallest mountain peak in southern Nigeria (Udi Hill) is in Udi; and from its wombs Nigeria extracted coal in abundance, ferried it across the land to its southern tip at Oji River to produce electricity. Almost 100 years later, some communities have no dependable supply of power. Udi must have uninterrupted electric power supply.

Udi men mined coal and opened up Enugu, but they have little to show for it. They have not taken to the streets, protesting or calling for resource control or preaching the politics of "we-we" and "them-vs-us." That's not the Udi way. Those who live and thrive in Udi, no matter when they or their forefathers and foremothers got there, are no rabble-rousers. In the fullness of time, Udi will blossom for all who believe in its essence: fraternity, liberty, equity, and progress. It won't happen without you: family and friends of Udi.

The forefathers of Udi people knew why they settled in this particular place. It is surely a land of greater tomorrow. The coalmines shall resurrect to produce reliable and cleaner coal-powered, efficient electricity at Oji River thermal station. The towering palm trees shall sustain the vegetable oil refinery at Nachi. Adaada, Ajali, and Oji River shall provide all the water needed for agriculture, the many bottling plants at Ngwo/Nsude, including the mega Heineken plant, the future steel plants at Nsude, and the thermal planet at Oji River.

For those who want natural drinks, the best palmwine east of the Niger flow from Nkwo Agu Market in abundance to compliment the best "*okpa*" (Udi bread) on earth. Udi has the best tapioca salad, so good it is called "Udi salad." With these products, peaceful passengers traveling through Ninth Mile Corner shall be treated with love to the best stuff from Earth. When Enugu International Airport becomes operational, the first regional airstrip at Udi could be reopened for cargo and shuttle services. Most importantly, the 24 towns in the presently too-large Udi Local Government Area have some of the best human heads around, the cream of its tomorrow, to support and sustain the greenness and greatness of Udi, Enugu State, Igboland, Nigeria, Africa, and humanity at large.

Table 3.2 Communities in Udi LGA.

S/N	COMMUNITIES
1	Udi
2	Abia
3	Nsude
4	Eke
5	Abor
6	Ebe
7	Affa
8	Egede
9	Ngwo
10	Amaokwe
11	Ukana
12	Umuabi
13	Ukana
14	Okpatu

***Source*: Researcher's field work, 2014.**

3.5 Population of the Study

This survey basically targeted farmers in selected communities in Udi LGA. Among those surveyed were 40 farmers selected from these known association of farmers:

i. Poultry Farmers Association

ii. Nebo Farms

iii. Udi Farmers Association

iv. Onyiason Feeds Ventures

v. Obinagu fish farm

vi. Ite-Ego farms

vii. Nwaolibu Agro Allied Enterprise

viii. Phinoman Nigeria Ltd

A breakdown of how they were selected are as shown on table 3.3 below:

Table 3.3 Farmers category used in the survey

Farmers Category	**Frequency**	**No selected**
Poultry Farmers Association	**18**	**11**
Nebo Farms	**1**	**1**
Udi Farmers Association	**42**	**20**
Onyiason Feeds Association	**10**	**4**
Obinagu Fish Farm	**1**	**1**
Ite-Ego Farms	**1**	**1**
Nwaolibu Agro Allied Enterprise	**1**	**1**
Phinoman Nigeria Ltd	**1**	**1**
Total	**73**	**40**

***Source*: Researchers Field Work, 2014**

3.6 Sample and Sample Size Determination

The sample determination was done using the Taro Yamane's formula

$$n = \frac{N}{1 + N^{(e)2}}$$

Where:

e	=	0.05 level of significance
N	=	Total population
n	=	Desired sample (Yamene, 1962)

The stratified random sampling technique was used in selecting number of farmers from identified categories of farmers within Udi LGA. This was done by stratifying identified farmers association into various categories depending on active membership etc.

3.7 Instrument Validity and Reliability

In the course of this survey, research questions were carefully formulated in a manner as to enable the researcher obtain requisite qualitative and quantitative data that will aid the attainment of our set research objectives. To maximize the reliability of the instrument used, the researcher ensured that questions were not ambiguously presented to respondents as to give them the impression of different meanings or in a manner likely to communicate different meanings that could generate inaccuracy and inconsistency in responses. The researcher also maintained objectivity with no leading suggestions as to the responses desired. Most importantly, a pilot survey was conducted to ensure that respondents understand the questions and answer them correctly. Accordingly, a pilot survey of a sub-sample was carried out among three selected farmers group in Udi Local Government Areas. From their responses, some of the awkward questions (if any) are hoped to be reframed.

3.8 Administration of Instruments

All items on the close-ended questionnaire were scored on the basis of five (5) points scale. Also, some open-ended questions were included. Each of the questionnaires administered was accompanied with an introductory letter. The essence was to assure the respondents of the confidentiality of information needed as well as to give them insights into the mission of the study. On the field, the researcher employed the assistance of local residents who worked as community catalysts under the strict supervision of the researcher.

3.9 Return Rate

This represents the number and percentage of the total number of questionnaires retrieved and used in the analysis as a percentage of the total number administered *ab initio*. In this research, 40 questionnaires were distributed out of which 37 representing 92.5% were retrieved and utilized in the analysis of survey outcome.

3.10 Method of Data Presentation and Analysis

The data is presented and analyzed using simple frequency tables and percentages. Simple frequency tables are used in presenting the number of questionnaire administered as well as those collected and utilized in the analysis. Simple percentage (%) ratios are also used in presenting the results of data collected. The hypotheses are tested with a non-parametric statistical test instrument-the Chi-Square. In this study, the chi-square method of analysis is applied to test the statistics in order to see if there is an agreement between what is expected and what is observed/ calculated; and determine the significance of such disagreement or agreement.

The chi-square is statistically denoted as:

$$X^2 = \Sigma\frac{(0i - ei)^2}{ei}$$

Where 0i = Observed frequency in each cell

ei= the expected frequency in each cell

Σ = Summing over all cells.

Df = Degree of Freedom

Formula for df = (r-1) (c-1)

Where r = number of rows in the frequency table

C = number of columns in the frequency table.

The test was carried out at a 0.05% level of significance. These take care of our quantitative data.

The qualitative data were analyzed manually by looking at issues relevant to this study. We critically examined common issues identified and highlighted by all groups by looking out for homogeneity and dissent. The issues involved are critically examined, sorted out manually, categorized (look at in order of priority) and evaluated based on responses from our raw data. Again, the researcher compared various case studies we looked at in order to reach an admissible conclusion. In doing these, we did not seek universal laws but regularities within a social (community) context. Armed with these, we were able to filter data and prioritize the needs and aspiration of the people in order to advance an admissible conclusion.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

In this chapter, the researcher presents both secondary and primary data collected during the survey. We also subject collected data to empirical analysis in order to evaluate the research questions we earlier poised in our chapter one. For the analysis of collected data, the major emphasis was placed on relating the method to the research problem in particular and the nature of the study in general. Only this enabled precise presentation of results capable of representing genuine tests and achievements of the research objectives.

In view of the array of data gathered in this survey, we adopted the use of descriptive and quantitative analytical techniques. By implication, tables, chi-square, frequencies, percentages and charts are utilized to analyze the data collected. The computer software used for data entry and analysis is the statistical packages for social sciences (SPSS). It also led to the findings and conclusions that are true and logical reflections of the research problem. The said findings and conclusion are predicated on the outcome of respondents' responses to questions asked in the questionnaire or during FGDs and interview sessions. In the paragraphs that follow. We present the data in frequency tables, followed directly by the researcher's explanations and discussions of key findings or results to facilitate readership's understanding.

4.2 Presentation of Data

4.2.1 Socio- Economic Background of Respondents

This survey basically targeted farmers in selected communities in Udi LGA. Among those surveyed were farmers from:

i. Poultry Farmers Association

ii. Nebo Farms

iii. Udi Farmers Association

iv. Onyiason Feeds Ventures

v. Obinagu fish farm

vi. Ite-Ego farms

vii. Nwaolibu Agro Allied Enterprise and;

viii. Phinoman Nigeria Ltd.

Details of the socio-economic information of our respondents are as presented in table 4.1 below.

Table 4.1: Socio-economic Characteristics of Farmer Borrowers from Micro-Finance in Udi LGA

Socio-economic Variables	**Mean Values**
Mean Age (Year)	45
Household Size	4
Farm Size (Ha)	3
Years of Experience with credit Utilization	5
Educational Level (in %)	
None	10.5
Primary Education	30.5
Secondary Education	35
Post-Secondary Education	24
Gender (in %)	
Male	78.5
Female	21.5

***Source*: Researcher's field work, 2014**

The results of socio-economic characteristics of loan recipients are summarized in Table 4.1 above shows the average age of farmers (loan beneficiaries) to be 45 years. This implies that farmers in Udi LGA are basically within the middle-aged groups and as such, are still energetic, vibrant and productive. This segment of the respondents within these mean ages is rational decision makers and time is still at their disposal to establish indelible reputation within their various communities. It has been observed that credit institutions might be willing to give loan facility to young and dynamic farmers who are more likely to adopt new innovations than the older farmers (Oladeebo and Oladeebo, 2008).

The mean values of 3 hectares and 4 years were obtained for farm size and years of experience with credit utilization respectively. These are indications of small scale nature of farming business which ultimately demonstrates that farmers surveyed have not had many years of experience in credit utilization. The study also shows average family size of 4 which depicts moderate household size among the selected farmers. It is instructive to note that beneficiaries with large family sizes are likely to spend more of the loans in financing consumption and other basic house hold needs than on farm production as previously observed by Njoku and Odii (1991).

In terms of Educational Qualification, table 4.1 also shows that most of the respondents (35%) had secondary school education, 30.5% of the respondents had primary education, and 24% of them had post-secondary training while only 10.5% of the respondents had no formal education. The results further showed that literate farmers (loan beneficiaries) in both categories of farmers grossly dominate the study area. This goes to show that the level of education attained by a farmer not only increases his/her farm productivity but also enhances ability to understand and evaluate new production technologies. This position was previously examined and established by Eze (2007) and Njoku and Odii, (op.cit.) who noted that possession of literacy is one of the criteria for the procurement of formal credit from micro finance banks. Majority (78.5%) of loan recipients are male. Only 21.5% of recipients are female. This agrees with the findings of previous researchers Olayede (2000), Oriakwu (2010) that male gender dominates small scale farming in Nigeria.

Table 4.2 Distribution of Respondents According to the Amount Applied for, Amount Approved and Amount Received.

Size of Loan (₦)	Amount applied for		Amount approved		Amount received	
	Frequency	%	Frequency	%	Frequency	%
≤ 20000	2	5.4	6	16.2	6	16.2
21000-40000	3	8.1	17	45.9	17	45.9
41000-60000	5	13.5	9	24.3	9	24.3
61000-80000	4	10.8	2	5.4	2	5.4
81000-100000	7	18.9	1	2.7	1	2.7
>100000	16	43.2	2	5.4	2	5.4
Total	**37**	**100.0**	**37**	**100**	**37**	**100**

***Source*: Researcher's field work, 2014**

The distribution of the respondents according to the amount applied for, amount approved and received is shown in Table 4.2 above. The table showed that majority of the respondents 43.2% applied for credit above a Hundred Thousand Naira (₦100, 000) but only 5.4% of them were given up to such an amount. Of 18.9% of respondents who applied for a loan between ₦81,000 - ₦100,000, only 2.7% were disbursed. 10.8% of respondents applied for loan between ₦ 61,000- ₦ 80,000, of these, only 5.4% got it. The table also shows that majority (86.5%) of loan seekers received between ₦ 60,000 and below. This indicates that the farmer's credit demand is far higher than the supply. However, enquiries from management of some micro-finance banks where this category of farmers patronized showed that due to gross shortage of loanable funds, available funds were rationed among the numerous successful applicants.

Table 4.3 Distribution of Farmer Borrowers on the uses of micro credit

Enterprise	Frequency	Percentage
Crop production only	5	13.5
Livestock production only	6	16.2
Crop and Livestock production	8	21.6
Fish Farming	4	10.8
Establishment of new farms	14	37.8
Total	**37**	**100**

Source: Researcher's field work, 2014

The distribution of the farmer borrowers on the uses of micro credit is shown in the Table 4.3 above. The result indicated that 13.5% of the respondents (loan beneficiaries) used their loan for crop production only, 16.2 % of them used the loan to invest in livestock production only, 21.6% of farmer borrowers diversified the loan into both crop and livestock production, while 10.8% of loan beneficiaries applied the loan on fish farming. However, majority of the respondents (37.8%) used the loan to expand the scope of their farming because of its benefit.

4.3 Test of Hypotheses

Two hypotheses were formulated to guide this study. The hypotheses were directly derived from the research objectives/questions. In the preceding paragraphs, data from the field survey has been presented and analyzed. Their interpretation has also been made on the bases of the values and percentages of respondents' responses. Giving due cognizance to the points stated above, we shall test the hypotheses of the work paying cognizance to the outcome of those questions, tables, values and percentages that are relevant to the supposition. The chi-square statistical test was applied in testing the hypotheses. The hypotheses tested are as follows:

Hypothesis 1. $H_{0:}$ Access to micro credit among Udi Farmers is positively influenced by their educational Level, farm size, Farming experience, extension contact and farm income.

Hypothesis 2. H_0: Access to micro credit among Udi Farmers is negatively influenced by gender.

Hypothesis 3. H_0: Access to micro credit facility among Udi Farmers is significantly influenced by membership of farmers' corporative.

Table 4.4: Probit Regression Coefficient of Factor Affecting Access to Credit

Variables	Estimated coefficient	Standard Error
Age	-0.0072***	0.0021
Education	0.0148***	0.001
Faming exp	0.0035**	0.035
House hold size	0.0225	0.0248
Gender	-0.0986	0.0689
Marital status	-0.0371	0.1979
Farm income	0.0091***	0.0026
Extension contact	0.0624***	0.0135
Farm size	-0.0730**	0.0364
Membership of co-op	-0.0339	0.1197
Distance btw	0.0839***	0.0214
Home & Source		
Number of observation at one:		54
Number of observation at zero:		42
X(chi square)		220.52

***Source:* Computed from field survey data 2014**

*** Variables significant at 1.0% ** Variables significant at 5.0% *Variables significant at 10.0%

The results of probit regression analysis of the determinants of access to micro credit are shown in table 4.4 above. The result revealed that the coefficient of age, education, farm income, extension contact and distance between home and loan source were statistically significant at 1.0% probability level. Farming experience and farm size were significant at 5 percent level. The coefficient of education, farming experience extension contact, household size and distance between home and source were positive and significant at a specific level except household size. More specifically, the coefficients of age, farm size, and marital status were negative. The coefficient of membership of co-operatives and gender possessed a negative sign. The chi square estimate of 22.520 is highly significant. These Results revealed that variables with positive signs indicate that their higher values increase the chances that the farmers have to access credit and vice versa. More specifically, the negative coefficients of age (-0.0072) and farm size (-0.0730) imply that the chances of the farmers in accessing credit decrease with age and farm size. More so, the negative sign of marital status (-0.0371) shows that the unmarried female farmers have chances of taking credit. The negative coefficients of gender (-0.0986) implies that the chances of the farmers in accessing credit decrease with gender, though it was not significant at any probability level.

Contrary to apriori expectation, the negative coefficient of membership of co-operatives (-0.0339) indicates that non-coperators have probability of accessing credit in Udi LGA. It is likely that co-operative societies have not made the desired impact in the study area and as such account for the posture of the result. The sign identity of age makes sense for this study area and those with a similar setting as predominance of young farmers. This result is consistent with the findings of Sebopetji and Belete (2009). The chi square estimate of 22.520 is highly significant. As a measure of goodness of fit, it shows that the data set fit the regression line to a reasonably high level.

4.4 Discussion of Findings and Implications to Development

4.4.1 Socio-economic and demographical characteristics of respondents

The average age of farmers (loan beneficiaries) in our survey area is put at 45 years. The implication here is that farmers in Udi LGA are basically within the middle-aged groups and as such, are still energetic, vibrant and meaningfully contributing to the growth and development of the area. Again, this segment of the respondents within these mean ages is rational decision makers and time is still at their disposal to establish indelible reputation within their various communities in particular and the process of national development in general. It has been observed that credit institutions might be willing to give loan facility to young and dynamic farmers who are more likely to adopt new innovations and engage positively in the nation's socio-economic development.

The mean values of 3 hectares and 4 years were obtained for farm size and years of experience with credit utilization respectively. These are indications of small scale nature of farming business which ultimately demonstrates that farmers surveyed have not had a substantial years of experience in credit utilization. The study also shows average family size of 4 which depicts moderate household size among the selected farmers. It is instructive to note that beneficiaries with large family sizes are likely to spend more of the loans in financing consumption and other basic house hold needs than on farm production. Therefore, should the trend currently obtained in the survey area be sustained, economic development is likely to be deepened in the nearest future.

In terms of Educational Qualification, this study shows that most of the respondents (35%) had secondary school education, 30.5% of the respondents had primary education, and 24% of them had post-secondary training while only 10.5% of the respondents had no formal education. This implies that literate citizens are increasingly involved in farming activities even at a commercial level. Furthermore, results further showed that literate farmers (loan beneficiaries) in both categories of farmers grossly dominate the study area. This goes to show that the level of education attained by a farmer not only increases his/her farm productivity but also enhances ability to understand and evaluate new production technologies which is a good point of departure for the nation's socio-economic development.

Majority (78.5%) of loan recipients are male. Only 21.5% of recipients are female. It is instructive to note that male gender not only dominates small scale farming in Nigeria but their female counterparts are also allowed to be part of this process. With increased involvement of men in agricultural activities, farming now transcends gender. It is no more an occupation left for the women-who could hardly make significant progress in large scale farming as they have other pressing domestic needs to take care of. Should the trend be sustained, children produced are more likely to be of high moral standard as their mothers have adequate time to support their moral upbringing.

4.4.2 Issues and Challenges on the use of funds from micro-finance institutions.

Micro finance has increasingly gained currency as a veritable tool for poverty alleviation especially in developing economies like Nigeria. It is generally associated with poverty alleviation interventions, income distribution amongst a wider section of population Purchasing power redistribution where large numbers of people do not have enough purchasing power to effectively participate in a market economy. While it is important that this form of developmental intervention be encouraged, it is equally pertinent to examine the applicability/utilization pattern of funds acquired from Micro-finance institution.

In this study, the distribution of the farmer borrowers on the uses of micro credit indicated that 13.5% of the respondents (loan beneficiaries) used their loan for crop production only.

Also, 16.2 % of them used the loan to invest in livestock production whereas 21.6% of farmer borrowers diversified the loan into both crop and livestock production. 10.8% of loan beneficiaries applied the loan on fish farming. However, majority of the respondents (37.8%) used the loan to expand the scope of their farming because of its benefit. This goes to show that micro-finance can help to grow the agricultural sector of our economy and should be encouraged especially as the nation is now under pressure to diversify its economy.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The probit regression analysis of the determinants of access to micro credit revealed that the coefficient of age, education, farm income, extension contact and distance between home and loan source were statistically significant at 1.0% probability level. That of farming experience and farm size were significant at 5 percent level. The coefficient of education, farming experience extension contact, household size and distance between home and source were positive and significant at a specific level except household size.

The coefficients of age, farm size, and marital status were negative. The coefficient of membership of co-operatives and gender possessed a negative sign. These Results revealed that variables with positive signs indicate that their higher values increase the chances that the farmers have to access credit and vice versa. More specifically, the negative coefficients of age (-0.0072) and farm size (-0.0730) imply that the chances of the farmers in accessing credit decrease with age and farm size. The negative coefficients of gender (-0.0986) implies that the chances of the farmers in accessing credit decrease with gender in favour of the male, though it was not significant at any probability level.

The average age of farmers (loan beneficiaries) in our survey area is put at 45 years. This shows increase participation of young, vibrant and able-bodied individuals in farming activities and by extension, contributing to the growth and development of the nation’s economy. This mean ages is also rational decision makers and time is still at their disposal to establish indelible reputation within their various communities in particular and the process of national development in general. The study established that credit institutions are willing to give loan facility to young and dynamic farmers who are more likely to adopt new innovations and engage positively in the nation’s socio-economic development.

The study obtained a mean value of 3 hectares for farm size and 4 years for years of experience with credit utilization respectively. These are indications of small scale nature of farming business which ultimately demonstrates that farmers surveyed have not had a substantial years of experience in credit utilization. The study also shows average family size of 4 which depicts moderate household size among the selected farmers. It is instructive to note that beneficiaries with large family sizes are likely to spend more of the loans in financing consumption and other basic house hold needs than investing on farm production.

This study shows that literate community members are increasingly involved in farming activities even at a commercial level. This goes to demonstrate that the level of education attained by a farmer not only increases his/her farm productivity but also enhances ability to understand and evaluate new production technologies which is a good point of departure for the nation’s socio-economic development.

On the utilization pattern of funds from micro-credit institution obtained by farmers, the study depicts that 13.5% of the respondents (loan beneficiaries) used their loan for crop production only. Also, 16.2 % of them used the loan to invest in livestock production whereas 21.6% of farmer borrowers diversified the loan into both crop and livestock production. 10.8% of loan beneficiaries applied the loan on fish farming. However, majority of the respondents (37.8%) used the loan to expand the scope of their farming because of its benefit. This goes to show that micro-finance can help to grow the agricultural sector of our economy.

5.2 Conclusion

It has been established that microfinance does not directly address some structural problems facing developing economies. This is much so because it is not yet as efficient as it will be when economies of scale are realized and a more supportive policy environment is created. However, microfinance is one of the few market-based, scale able anti-poverty solutions that are in place in most developing countries today, and the argument to scale it up to meet the overwhelming need is compelling.

The result obtained in this study revealed that the chances of farmers in accessing credit from the micro finance bank decreased with age and farm size. It also increases with educational background and gender. From the study, efficiency is suggested in the use of farm land rather than necessary requisite that could increase the chances of accessing loan. The study also reveals that non co-operators have increased probability of accessing credit. The chances of the farmers in accessing credit increases with educational attainment, farming experience, farm income, extension contact, distance between home and loan source as proved by the study

5.3 Recommendations

Based on the results of this study and the conclusions reached above, the researcher hereby recommends the following:

i. Micro finance banks should ensure timely disbursement of loans to young, experienced and educated farmers who are more likely to utilize resources efficiently, and repay loans promptly.

ii. Farmer borrowers should engaged in diversification of loans on profitable agricultural enterprise.

iii. A loan increment policy should be embarked by all financial institutions in order to satisfy the demands of farmer borrowers. Experts in the field of project evaluation, project appraisal monitoring and loan administration should be employed for effective supervision, loan utilization and loan recovery performance in micro finance banks.

iv. There should be more focus on the literacy and capacity building of the borrowers to create adequate awareness on modality for obtaining, utilizing and repaying loans obtained from micro-credit institutions.

v. One way of expanding the successful operation of microfinance institutions in the informal sector is through strengthened linkages with their formal sector counterparts. A mutually beneficial partnership should be established based on comparative strengths of each sectors.

References

Adeyeye, V.A., (2003), “Impact of cooperative-based NGOs on rural poverty: A case study of Farmers Development Union. (FADU) in Osun State, Nigeria.” *NISER Monograph series* No 10, Ibadan, NISER, pp: 73.

Aiyar SA.(2009), "How Micro-Finance Institutions Beat Nationalized Banks" The Business Line, July 26.

Aromolaran, A.B., (2000), “Food consumption pattern and women income: Implications for household food security in Nigeria.” Final report presented at AERC. Biannual Workshop, Grand Regency Hotel, Nairobi, Kenya, 2nd – 7th December, pp: 46.

Banerjee, G. D., (2002), Evaluation study on self-help group, financing agriculture – In house. *J. Agric. Finan. Corp. Ltd*., **34**(2):38.

Chavan, Pallavi and R. Ramakumar, (2002), “Microcredit and Rural Poverty”. Economic and Political Weekly, XXXVII (10): 955-65.

Datta, Mahajan & Thakur (2004). A resource book for livelihood promotion. pp 1-6. *J. Agric. Finan. Corp. Ltd*., **34**(2):38.

Floro, Maria and Gary Dymski, (2000), “Financial Crisis, Gender and Power: An Analytical Framework”. World Development, 28(7): 1269-83.

Gujarati D. (2003), Basic Econometrics. Tata Mc Graw Hill Edition.

Jain, Sanjay and Ghazala Mansuri, (2002), “A Little at a Time: The Use of Regularly Scheduled Repayments in Micro-finance Programmes”. Journal of Development Economics, 72 (1): 253-79.

Kala, G.S., (2004), Economic empowerment of women through self-help groups. *Kisan World.*

Khandker, S.R., (2006), Micro finance and Poverty: Evidence using panel data from Bangladesh. *World Bank Econ. Rev.*, **19**(2):263-286.

Kiiza, (2007), Micro finance self-sustainability and reach in Uganda: A case of Teso Rural Development Trust Limited. *Eastern Africa J. Rural Devp.*, **20**(1): 34-44.

Naresh Singh., (2007), Perspectives on emergence and growth of micro finance sector Asia-Pacific, *J. Rural Devp.*, **13**(2):95-108.

Nnadozie, A.K.O and Uzoigwe, J.I. (2002), Effectiveness of Local Sanctions on Agricultural Loan Recovery Under Community Banking in Enugu State. *Journal of the Science of Agriculture, Food Technology and the Environment,* 2(1): 56 – 62.

Okurut, N., A. Schoombee and S. Van dar Berg (2004), Credit Demand and rationing in the Informal Financial Sector in Uganda. Paper on the DPRU/Tips/Cornell Conference on African Development and Poverty reduction.

Oladeebo J. O. and Oladeebo O. E. (2008), Determinants of Loan Repayment among Smallholder Farmers in Ogbomoso Agricultural Zone of Oyo State, Nigeria J. Soc. Sci., 17(1): 59-62.

Oladeebo, O.E. (2003). Socio- Economic Factors influencing Loan Repayment Among Small Scale Farmers in Ogbomoso Agricultural Zone of Oyo State, Nigeria. Full Professional Diploma Project (unpublished), Department of Management Science, Ladoke Akintola University of Technology, Ogbomoso.

Oladeji, S.I. and I.O. Ogunrinola, (2001), “Determinants of informal savings in Southwestern Nigeria.” Savings and Development, No. 2-2001-XXV: 225–249.

Olomola, A.S., (1999), “Financial innovations in Nigerian microfinance system,” In: Olomola, A.S. and S.O. Akande (eds.), *Agricultural Finance Issues in Nigeria* Ibadan, (NISER), pp: 149-164.

Olomola, A.S., (2001), “The nature and determinants of rural loan repayment performance in Nigeria: The case of FADU’s microcredit programme”. *NISER monograph series* NO 3, (NISER), Ibadan, pp: 57.

Oriaku, B.N. (2010), Access to and Investment of Formal Micro credit by small holder farmers in Abia State, Nigeria. A case study of ABSU micro finance bank, Uturu. B. Agric. Thesis. Dept of Agricultural Economics and Extension, Abia State University Uturu

Patel Praful (2005), "Microfinance In South Asia, Today And Tomorrow" Report On Regional Conference, World Bank Group.

Raghavendra, K., (2003), Self-help group linkage Banking –Challenges of training –role played by National Centre. *Land Bank J.*, **41**(4):72-76.

Robinson, Marguerite.(2001), *The Microfinance Revolution: Sustainable Finance for the Poor*. World Bank. Washington.

Rodrik, Dani. (2000), *Growth Versus Poverty Reduction: a Hollow Debate*. Finance and Development, a Quarterly Journal of the IMF. 37 (4).

Singh Sukhwinder (2005), *The Microfinance India Conference And A Look At An Expanding Market*, Financial Sector Team, Policy Division, DFID.

Thorat Y.S.P (2005), *"Microfinance in India: Sectoral Issues And Challenges"*, Theme Paper At The High Level Policy Conference On Microfinance In India, New Delhi 03 To 05 May 2005.

Vinay, M. R. & Manjappa, D. H. (2004), Dairy cooperatives. *Kurukshetra*, October, pp 55-60.