Chapter 59

Impact of Microfinance Bank Credit Scheme

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ABSTRACT

The purpose of this chapter is to examine impact of microfinance bank credit scheme on maize farmers in Gombe State, Nigeria, using data from 90 randomly sampled maize farmers in Gombe State. The study showed that majority of the respondents (53.33%) accessed amount of credit ranging between 30,000 and less than 50,000 Naira. Majority of the farmers (85.56%) used their credit for the purpose of farm production. Majority of respondents (58.89%) recorded in increase in maize output as result of the intervention of the microfinance credit scheme. Majority of the respondents (86.67%) repaid credit collected. The microfinance credit scheme intervention significantly improved the output and income of the respondents. Ineffective organizational structure of the credit institutions constituted the major constraint in accessing microfinance credits. Microfinance credit facilities extended to the farmers should be improved upon in both quantity and quality. The organizational structure of microfinance institutions should be reorganized to reduce bottlenecks in accessing credits.

INTRODUCTION

The goal of this article is to provide empirical evidence that will assist the reader develop a thorough understanding of the impact of microfinance bank credit scheme on maize farmers in Gombe State, Nigeria. To accomplish this objective an attempt has been made to present the subject in a manner that will be useful to the finance houses and policy makers in the microfinance industry and other stakeholders in microcredit in particular and economic development in general.

The broad objective of this study is to examine the impact of Microfinance Bank Credit Scheme on maize farmers in Gombe State, Nigeria. The specific objectives of the study are to:

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1. Analyse the socio-economic characteristics of the maize farmers in Gombe State, Nigeria.
2. Ascertain the volume of credit acquired from the bank by the respondents.
3. Assess the level of utilization of the credit accessed by the respondents.
4. Determine the impact of credit on the output and income of the maize farmers in the study area.
5. Identify constraints to accessing credit from the bank among the respondents.

The following null hypothesis were stated and tested:

1. There is no significant difference between the output of respondents (beneficiaries) before and after the utilization of micro-credit obtained from the Microfinance Bank Credit Scheme.
2. There is no significant difference between the income of respondents (beneficiaries) before and after the utilization of micro-credit obtained from the Microfinance Bank Credit Scheme.

BACKGROUND

Agriculture is a key sector in the Nigerian economy. Its importance is particularly glaring in its contribution to Gross Domestic Product (GDP), provision of food, provision of gainful employment, provision of capital and capital formation, foreign exchange for development and increasing rural welfare (Nwaru, 2005). Agriculture has remained the largest non-oil export earner and has significantly contributed above 30 percent of Gross Domestic Product (GDP) in Nigeria (RMU, 2003).

Despite these contributions, agricultural growth and productivity has been slow compared to other sectors of the economy because of low utilization of modern inputs by farmers, unavailability and inaccessibility of farmlands, non-mechanization of farming operations and insufficient fund inflows into the agricultural sector. An examination of the Nigerian agricultural sector shows that it is not in a position to finance its own development. Nwagbo (1986) reports that emphasis on the financing problem is rightly founded on the belief that agriculture for various reasons is not in a strong competitive position in relation to other sectors to acquire or obtain investment and productive credit from the usual financial institutions. Farm credits are however, important means for improving farm capital investment in Nigeria, without which there may be no progress in the agricultural sector to adequately fulfill its expected Millennium Development Goals (MDGs) (Musa et al., 2010). Akpokodje and Olomola (2000) contend that if credits were made available to small-scale farmers, the slow growth of the agricultural sector would develop more rapidly. Phillip, Ephraim, John, and Omobowale (2008) assert that credit supply to farmers is widely seen as an effective strategy for enhancing the increase in agricultural productivity.

Therefore, in order to improve the national economy, producers who are the farmers should be supported to expand their scale of production through financial resources (Akpokodje and Olomola, 2000). Akpokodje and Olomola (2000) further explained that associated with mechanization and the acquisition of agricultural inputs is the issue of credit, without which the envisaged agricultural production and development will be a mirage. In addition, the farmers will still persist old one-man hoe and cutlass system with a farm size that can only guarantee subsistence production.

Credit allows the farmers to satisfy their cash needs induced by the production cycle which characterized agriculture. Despite the general acceptance of the important role of credit and a wide appreciation by most governments of the need for credit, credit schemes for agriculture unfortunately have failed at various times and places to yield the expected and significant results. Some of these schemes have ended up prematurely as