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**Spatial Distribution of Micro Finance Institutions and
Agricultural Development in Ekiti State, Nigeria**

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Abstract

This study examines the impact of spatial distribution of Micro-finance institutions on Agricultural development in Ekiti State, Nigeria. Agriculture is an engine for economic growth in developing countries and rural microfinance is also critical to that growth. Data for this study were

collected through primary sources. Three hundred (300) copies of questionnaires were administered on randomly selected farmers in the tree local government, selected across the three Senatorial Districts in Ekiti State Nigeria. The finding shows that problems of collateral security and poor facilities were the major impediments to agricultural development in the study area. This study therefore suggests a relaxed policy of collateral security to facilitate credit facilities for the farmers, especially in the study area.

Key words: Agriculture, Development, Ekiti State, Nigeria, Micro- Finance, Institutions and Spatial Distribution.

Introduction

Microfinance is the provision of financial services to low-income clients or solidarity lending groups including farmers, consumers, and the self-employed, who traditionally lack access to banking and related services (Christen, et al, 2004). More broadly, it is a movement whose object is a world in which as many poor and near-poor households and farmers and possible have permanent access to an appropriate range of high quality financial services, including not just credit, but also savings, insurance, and fund transfers (Christen et al, 2004). Those who promote micro-finance generally believe that such access will help poor people out of poverty.

Feigenberg et al, (2011) stated that microfinance is a broad category of services, which includes micro-credit. Micro credit is the provision of credit services to poor clients. Although, micro credit is one of the aspects of microfinance, conflation of the two terms is epidemic in public discourse. Critics often attack micro credit while referring to it indiscriminately as either microfinance or 'micro credit', due to the broad range of microfinance services, it is difficult to access impact, and very few studies have tried to assess its full impact (Feigenberg, et al, 2011).

Agriculture is an important engine for economic growth in developing countries, rural microfinance is critical to that growth (World Bank Agriculture and Rural Development Department 2005). The micro enterprise sector (Farmers, traders, artisans etc) needs access to financial services, including credit and savings products, which should be provided through a professional and dynamic microfinance sector. Thus, the small and medium enterprise (SME) sector is essential in both connecting urban and rural

economies and industries of different types and sizes. It needs a very specific blend of financial instruments and business support.

The scope of Micro finance also involve the provision of a broad range of financial services such as deposits, loans, payment services, money transfer, and insurance to poor and low income households and farmers among others. These financial services are provided by three types of sources, they are;

- a. Formal institutions, such as rural banks and cooperatives.
- b. Semi formal institutions, such as non-governmental organizations (NGOs) and
- c. Informal sources such as money lenders and shopkeepers (Asian Development Bank, 2000).

In another development, Agriculture is one of the oldest engagements of man (MDGS Reports, 2008). In the earliest days, people produce their basic needs themselves; this is a sufficient economy or the agrarian economy. The practice of agriculture is evolving and changing and can be related to the development of human race (Davies & Bruton, 2009). In primitive time, there were basic methods of Agriculture:

- a. Hunting and gathering
- b. Pure subsistence agriculture which is the beginning of settled life among human race, i.e. the period of self sufficiency, when people provide enough food for the family by use of crude implements.
- c. Cash crop production, when they use good implements couple with division of labour which result in the increase of quality and quantity of production. That is, they produce more than what they can consume and market the excess.
- d. Commercial agriculture which is the advance stage of production.

Micro financing plays an important role in the development of agriculture, just as agriculture plays an important role in the development of the nation's economy. Agriculture contributes to the development of nation's economy by increasing labour productivity food for the teeming population of Nigeria. It also serves as a source of foreign exchange and a source of input to agro-based industries.

Nigeria as a nation to improve her agricultural production, which could lead to improved standard of living through abundant food supply at low and affordable price, which is a pre-requisite for economic growth (Agumagu, 2002). Thus, the diversification of Nigeria's economy has made the oil sector a major source of revenue generation; consequently led to neglect of agricultural sector, resulted in its underfunding and hence its low productivity (Agumagu, 2002).

For Agricultural development to be ensured, credit must be extended to farmers with the advent of specialization and industrialization. Where individuals produces more than what they have to farm, microfinance will therefore be involved to facilitate the mobilization of funds, in form of savings, in order to enhance effective and modern farming techniques through the use of mechanized farming equipments, to boost the agricultural sector of the nation's economy.

The Study Problem

It has proven to be difficult to provide sustainable microfinance services to remote rural agricultural clients in developing countries (World Bank Agriculture, 2005). Inadequate information on borrower's credit history, insufficient collateral and the presence of a high degree of covariate risk, particularly to weather and market prices for farmer's produce, among other factors, make lending and other financial services risky and often unprofitable. In addition, high levels of transaction and supervisory costs contribute to the absence of functioning rural financial markets and institutions in many countries. The challenge for rural financing is to develop low- cost ways of reaching farmers (especially small holders) and to better manage risk involved in loans, insurance and other services. History has shown that regardless of ownership, type of institution and rural or urban sphere of operation, to be sustainable, microfinance institutions ultimately have to:

- a. Mobilize their own resources through savings and equity, augmented by other domestic resources.
- b. Recover their loans
- c. Cover their costs from their operational income
- d. Finance their expansion from their profits
- e. Acquire an appropriate legal status

f. Submit to appropriate regulation and supervision.

There is a growing criticism of the impact of microfinance institutions in recent years; they are accused of slowing down the pace of economic development. They have equally being accused of inflexibility; reluctant to take risk and for demanding excessive securities. Developments which have occurred in Nigeria financial institutions that affect agricultural sector includes: the indigenization decree of 1972, the Rural Banking Policy of 1977, liberalization of entry conditions into banking and related activities , increase in equity requirement; automation in the industries, high incidence of fraud, the Central Bank of Nigeria Decree No 24, Banks and other Financial Institutions Decree (BOFID) No 24 of 1991, failed banks, debt recovery and financial malpractices in banks, and poor management practices among others.

In view of the background information and various conceptual definitions on the subject matter of micro financing for Agricultural development, the study broadly investigates how Agricultural Development could be enhanced, sustained and impacted lives through micro financing in Ekiti State, and specifically examines;

- (i) The problems affecting agricultural development in Ekiti State.
- (ii) The influence of micro finance institutions on the level of Agricultural Development in Ekiti State.
- (iii) The nature of labour employed in Agricultural Production in Ekiti State.

The Study Area

Ekiti State is located between latitude 7030 and 80151 North of the equator and longitude 40471 and 50401 of the Greenwich Meridian (www.ekitinigeria.net,2010). Ekiti State was created on the 1st of October, 1996 and named Ado-Ekiti as her administrative headquarters. The estimated population figure of Ekiti State released by the National Population Commission (NPC) stood at 2,353,082 (NPC July, 2006). The relief of Ekiti State consists of undulating plains. The highest contour line of 540m above sea level is found around the North Eastern limit of the state. The state is also characterized by crystalline rocks, which form parts of the basement complex geology of the South-West, Nigeria.

The development of Ekiti State spread towards the route of communication, put differently, the settlement evolution and growth is a replica of Homer Hoyt's sector land use model of 1939, which posits development, along a road network. Ekiti State has a total annual rainfall of about 1400mm with a low co-efficient variation of about 30% during the rainfall peak months, and with an average of about 12 rainy days per annum (Adebayo, 1993).

The soil in Ekiti State belongs to the rock debris, hydromorphic and ferralitic soil groups (Adeniyi, 1993). The rock debris is usually hard and stone like in character. The soil type is developed on the pegmatic and quartzitic rock units. The vegetation of Ekiti State exhibits the microcosm of the low land rainforest zone. The climatic characteristics of high mean monthly temperature of about 1,400mm provide suitable conditions for the growth of forest.

The Yoruba tribe dominates the people in Ekiti State. However, there are other ethnic groups such as Ebiras, Igbos, Urhobos, Hausas, Edos, Tivs, Idomas and Isokos among others.

Conceptual Framework and Literature Review

The Concept of Sustainable Development is applied to this study. The concept of sustainable development was propounded by the World Commission on Environment and Development (WCED) in 1987. This concept noted that sustainable development is a development that meets the needs of the present generation without compromising the ability of future generation to meet their own needs.

Development involves the purposeful change of the inherently complex environmental systems. The natural resources system (Agricultural products) and anthropogenic services (Micro-financing) are commonly utilized and multi-purpose in their social and economic roles. Consequently, the effects of bad management practices among microfinance institutions as well as mismanagement and misplaced priority of loans by some farmers are often widespread both geographically and socially (Birch, 2007).

From the foregoing, it is obvious that agricultural activities, human needs and agricultural micro-finance are independent. In making developmental decisions, efforts to maintain or improve on micro-financing of agriculture and sustainable agricultural production should be given sufficient weight. This is the basis of the concept of sustainable development, an idea first

proposed in the eighties by the world commission on environment and development (Rilwani & Osayande, (2003).

In essence, sustainable Development is a process of change, in which the exploitation of Microfinance services for agricultural production, the direction of agricultural production to meet the target of millennium Development Goals (MDGS) and institutional change are all in harmony and enhances both the present and future potentials (contribution of microfinance institutions, economic development of agriculture and adequate/ maximal agricultural production) to meet human needs and aspiration.(WCED, 1987).

Microfinance Banks are specialized financial institutions established for the overall interest and development of an economy (www.cenbank.org,2011). Thus, microfinance institutions provide funds/ loans for persons and institutions for medium and long term investment in agriculture, commerce and industry medium and long term investment in agriculture, commerce and industry (www.cenbank.org, 2011).

Robinson (2007) noted that microfinance institutions helps to investigate new investment opportunities (to best agricultural production in the nation's economy) assess the economic viability of such investment and encourage the interest of potential investors (farmers) on them.

Asif and Barua (2006) opined that microfinance institutions gives investment counseling to agriculturists, who take loans from them, adding that microfinance institutions equally mobilize farmers to increase agricultural produce, as well as the production of raw materials for agro-allied industries.

MDGs (2008) stated that the economy of Nigeria is based mainly on agriculture, that comprises of crops production, livestock, forestry and fisheries, which constitute of primary sector of the economy. This is concerned with the production of food for the growing population of the country, fibers for clothing, wood for housing. It also provides foreign earnings from plantation of cash crops such as cocoa, rubber, kola-nut and coffee etc. Davies & Bruton (2009) observed that agriculture as a whole require a great deal of financing from financial institution due to its vital roles in developing the economy. Thus, without food, one finds it very difficult to live. This important factor calls for urgent need for financing agriculture in Nigeria.

Agumagu (2002) opined that in rural farm households the burden on rural women is much and yet they have limited access, from Agricultural

extension programmes and their forms of incomes such as institutional credit and improved technology for production, processing and transportation services.

Methodology

Data for this study were collected through primary sources. The primary sources include personal observation and questionnaires.

Two sets of well structured interview questionnaires were employed, using the simple random sampling to elicit the required information from purposeful targeted groups; one of those that engages in microfinance loans for agricultural production and the other set of questionnaire for members of staff of microfinance institution in the study area.

A 30-item interview questionnaire was designed for farmers/ agriculturists who engaged in loans from microfinance banks for agricultural production and a 20-item interview questionnaire for workers of microfinance Bank in the study area. A total of three hundred (300) questionnaires were randomly administered on respondents in the study area.

The local government areas were selected based on the observation that they were areas of high agricultural activities and which includes; Ikole Local Government in Ekiti North Senatorial District, Emure LGA in Ekiti South Senatorial Districts, Ifelodun/ Irepodun Local Government Area in Ekiti Central. Ekiti State is divided into three (3) senatorial districts, namely; Ekiti South Senatorial District (which has 6 local government Areas) Ekiti central Senatorial Districts (which has 5 local government Areas) and Ekiti North Senatorial Districts, (which has 5 local government Areas) and early the local government selected is from each senatorial district in Ekiti State.

The multi-state sampling techniques were used in the selected of the households of farmers. Descriptive method of data analysis using percentages was adopted.

Results and Discussions

Table 1: Sources of Fund for Agricultural production by Respondents

Sources	Frequency	Percentage
Personal Savings	78	26.0
Loan from commercial banks	18	6.0
Loans from cooperative societies	60	20.0
Loans from individuals	54	18.0
Loans from microfinance banks	90	30.0
Total	300	100.00

Sources: Author's Fieldwork Report, 2011.

The results on the source of fund for agriculture production by respondent revealed that 78 (26.0) of the respondent stated that they exploit personal savings to find their agricultural products in the area, 18 (6.0%) noted loan from commercial banks, 60 (20.0) of the respondents observed that they take loans from cooperative societies, 54 (18.0%) of the respondents state loans from individuals, while 90 (30.0%) of the respondents stated loan from microfinance banks in the study area. This implies that majority of the respondents (Farmers) in the study area take loans from microfinance banks. And as such microfinance bank has had a considerable impact on the development of agriculture in the study area.

Table 2: Level of Agricultural Development as a Result of the Impact of Microfinance Banks in the Study Area.

Level of Improvement	Frequency	Percentage
Low 1-49%	87	29.0
Considerate 50-69%	123	41.0
High 70-100%	90	30.0
Total	300	100.0

Source: Authors Fieldwork Report, 2011.

The result in the level of development of agriculture in the study area as a result of the impact of micro-financing showed that 87 (29.0%) of the respondents observed that the level of development is considerate, 90 (30.0%) of the respondents observed that the level of development is high. This suggests that the impact of micro-financing on the development of

agriculture in the study area is noticeable and has improved the production of agricultural products in the study area.

Table 3: Nature of Labour Employed in Agricultural production

Nature of Labour	Frequency	Percentage
Personal Labour	70	23.3
Family and Friends	130	43.3
Hired Labour	100	33.4
Total	300	100.0

Source: Authors Fieldwork Report, 2011.

Results on the nature of labour employed in agricultural production by farmers in the study area showed that 70 (23.3%) of the respondents stated that they work personally in their farms, 130(43.3%) of the respondents observed that they use their friends and family members for agricultural production, while 100 (33.4%) of the respondents stated that they employ the services of played workers for agricultural production. This suggests that the presence of microfinance banks in the study area has contributed immensely to agricultural production; growth and development in the study are by empowering financially agriculturist in the area to the extent that a considerable number of them employ the services of pave workers in the area.

Table 4: Problem of Agricultural Development of the Study Area

Issues	Frequency	Percentage
Problem of capital	45	15.0
Problem of Land tenure	72	24.0
Climate Change	24	8.0
Poor facilities	42	14.0
Problem of Labour	24	8.0
Poor harvest	24	8.0
Collateral security	18	6.0
Problem of Pest &Disease	21	7.0
Price Fluctuation/ Unfavourable Market Condition	30	10.0
Total	300	100.0

Source: Authors Fieldwork Report, 2011.

The findings on the problem of agricultural development in the study area revealed that 45 (15.0%) of the respondents stated problem of capital, 72

(24.0%) of the respondents noted the problem of land tenure system, 24 (8.0%) of the respondents observed the problem of climate change, 42 (14.0%) of the subjects noted poor facilities, 24 (8.0%) of the subjects stated problem of labour, 24 (8.0%) of the respondents observed poor harvest, 18 (6.0%) of the subjects noted the problem of collateral security 21 (7.0%) of the respondents stated the problem of collateral security 21 (7.0%) of the respondents stated the problem of pest and diseases, and 30(10.0%) of the respondents stated the problem of price fluctuation/unfavorable market condition. This implies that despite the contribution of micro-financing to the development of agriculture in the study area, the problem of capital still persists. Thus, there is need for the government, non-governmental organizations, and well meaning individuals to support microfinance institutions in boosting agricultural development in the study area.

Conclusion and Recommendations

Ekiti State in particular and Nigeria in general is blessed with fertile soil for agricultural production. Yet, poverty and high cost of living still exists. These points to the facts that the need for a considerable adjustment, reform, and improvement of agricultural production cannot be overemphasized and should be done urgently, so as to meet one of the targets of the millennium Development Goals (MDGs).

In- view of the findings of the study, there is need for the provision of storage facilities and other modern agricultural facilities in the study area, in order to boost agricultural production.

Financial institutions and government at all levels should increase the financial assistance given to farmers in the study area.

Agricultural education as well as enlightenment programmes should also be organized annually by the appropriate government agencies for practicing farmers in the study area.

Collateral security should be shunned for identified farmers in the study area.

There is also need for the provision of adequate infrastructural facilities in the study area to motivate farmers to live and work comfortably in the study area.

Employment opportunities should be provided for inhabitants in the study area to improve the standard of living of the people, while the problem of land tenure system should be addressed by the community leaders. Government on their own part should make land available to farmers and those interested in agricultural activities in the study area. Hence, boost the growth and development of agricultural product in the area.

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