

**UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP) AGRICULTURAL
INTERVENTION THROUGH MICRO-FINANCE AND POVERTY ALLEVIATION IN
UYO METROPOLIS, AKWA IBOM STATE, NIGERIA.**

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Abstract

The study assessed United Nations Development Programme (UNDP) micro-finance service and poverty alleviation in Uyo local government area of Akwa Ibom State, Nigeria. It determined micro credit programme, increase income of farmers and improvement in farmers' status as they relate to poverty alleviation. Survey research design was adopted and was conducted in 4 clans of study area. Eight villages within these strata were purposively studied on the basis of micro credit beneficiaries. Altogether 240 rural farmers were involved. Data were obtained using questionnaire and analyzed using Pearson product moment correlation coefficient. Findings showed that average income of farmers increased after participation in UNDP micro-finance service. It was established that farmers experience improvement in their social status. Therefore, participating in the UNDP programme has a positive impact in farmers' income level and

standard of living. Hence UNDP should extend its programme to non-benefitting members in the local government area as well.

Keywords: *UNDP Micro finance, poverty alleviation.*

Introduction

Agricultural development is the foundation for economic development and the agricultural sector is undoubtedly the prime area of concentration for economic progress. Rural development programmes in third world societies cannot be separated from agricultural development. The two must integrate if authentic locality development must occur. The economic institution in any culture is often concerned with the arrangement of relationships between people for the sustained production, distribution and consumption of goods and services within that culture. Despite the importance of this sector and the fact that 72% of Nigerian households are engaged in agriculture, most of these farmers are wallowing in abject poverty (FOS 1996). Studies in parts of southern and western Nigeria have shown that most farming parents do not wish their children to take after them.

In consideration of the importance of agriculture to the Nigerian economy, various governments have made efforts to develop the sector in order to improve the living standard of Nigeria farmers. This vision necessitates the need for the transformation of the traditional subsistence agriculture, characterized by the use of crude implements like hoes and cutlasses. Most of the farmers therefore resort to credit to acquire and improve farm implements, improved seed and other inputs necessary for the change.

Agricultural development necessarily requires that farmers must have access to education and benefit from research findings because of the constantly changing technique and accessibility to credit to enable them avail themselves of available equipment and supplies. Availability of

production credit means that farmers must have easy access to and guidance in the use of investment credit in order to expand and improve their production (Aghato 2000).

However, Nigerian banks are not favourably disposed to lending to agriculture and where they do, it is usually short term financing due to risk associated with agriculture. The banks perceive agricultural financing as a risk venture, forgetting that agriculture is the foundation of the economy. Over 80% of the rural dwellers are engaged in agriculture (Anyanwu 2004). Failure of agricultural lending in the past has been because of wrong appraisal of the project by the lending banks and the short term tenure of such lending (Aghato 2000). In 1987, the repayment rate of the Nigerian Agricultural and Cooperative Bank (NACB), the apex lending institution in the agricultural sector ranged from 18% to 25%. The case was similar with the credit institutions operated by the state governments. Commercial banks are required to lend a certain portion of their loan portfolio to agriculture, nevertheless, many perceive the risk to be so high that they prefer to increase the penalty for non-compliance imposed by the Central Bank of Nigeria (World Bank, 1989). A study conducted among farmers in western Nigeria by Miller (2009) revealed that only 2.9% of the farmers obtained credit from credit corporations while 57.8% obtained loans from friends and relatives; 2.4% from money lenders and 14.9% from traders.

The experience in micro credit administration and documented experience on micro-credit administration under various donor-assisted programmes gave birth and led to policy guidelines of United Nations Development Programme (UNDP) poverty reduction programmes in Nigeria. As a trusted multilateral partner serving 166 developing countries around the world, UNDP is uniquely positioned to help advocate for change, connect countries to knowledge and resources they need and coordinated the efforts of the UN at the country level. UNDP invests nearly \$US1 billion every year in fighting poverty and advancing progress towards the millennium development goals (MDGs)

The lack of adequate and appropriate agricultural credit is one of the constraints of agricultural growth and development in the country. Costs of improved inputs have been unstable, cost of farm investments in small-scale irrigation for example have gone beyond the reach of small-scale farmers to pay for them in cash in rural areas. Thus, demand for rural credit has expanded (World Bank 1989).

In Uyo Local Government Area, most small farmers cannot finance their farming operation from their limited savings. This has affected their socio economic lives. Integrated rural development has been unsustainable due to the neglect of a vital sector of the rural economy. These farmers will therefore require assistance in the form of production credit in order to adopt relevant technologies to improve their farm productivity and enable the marginalized poor to have access to credit to develop and finance productive income generating activities including farming. Availability of micro credit and establishment of micro finance institutions are on the increase in Nigeria (Anyanwu, 2004).

1.1 Objectives

1. To determine whether a relationship exists between micro-credit service and poverty alleviation.
2. To examine whether a relationship exists between increase income of farmers and poverty alleviation.
3. To investigate whether a relationship exists between improvement in farmers' status and poverty alleviation.

2.1 Review of related literature

The 1997 – 2002 Country Cooperation Framework (CCF) was drafted when Nigeria was still under a military government and when most bilateral donors were withdrawing from the

country. Given these circumstances, UNDP approved the CCF on the condition that 80% of UNDP core resources would “directly benefit the poorest sections of the population and would deliver their benefits at the grassroots level”. Consequently, UNDP’s activities were mainly targeted at the grassroots level and dispersed throughout Nigeria’s 36 states and the Abuja. The original 1997-2002 CCF document identified poverty alleviation as its overall objective and provided support under four thematic areas of poverty reduction, governance, gender and environment.

UNDP is well known and enjoys relatively high visibility in the country particularly within institutions and state where it has its programmes. Partnerships with government often seem to have been driven by resource mobilization imperatives rather than substantive development concerns. Partnership in grassroots projects tend to have been UNDP – dominated. UNDP delivers most of its services through its 132 country offices but also engage in global and regional advocacy. It conducts analysis to increase knowledge, share best practises, mobilize resources and promote enabling frameworks including international target for reducing poverty. UNDP works largely with Non-Governmental Organization (NGOs) in pursuit of its poverty alleviation programme. In Nigeria, their operation is concentrated in rural areas by promoting cottage and small-scale industries through supply of equipment and tools such as cutlasses, hoes and others. (CBN 1999).

Raising farm incomes is described as the core of the antipoverty effort as three quarters of the poor today are farmers. Estimates show that growth in the agricultural productivity of small farmers is on average at least twice as effective in benefitting the poorest half of a country’s population as growth generated in non-agricultural sectors. Improving water management is an effective way to help reduce poverty among farmers. With better water management, they can improve productivity and potentially move beyond subsistence level farmer. During the Green Revolution of the 1960s and 1970s, for example, irrigation was a key factor in unlocking Asia’s

agricultural potential and reducing poverty. Between 1961 and 2002, the irrigated area almost doubled, as government sought to achieve food security, improve public welfare and generate economic growth. In South Asia, cereal production rose by 137% from 1970 to 2007. This was achieved with only 3% more land.

2.1.1 UNDP Micro-credit and poverty alleviation

Micro-finance is the provision of thrift credit and other financial services or projects of very small amounts to the poor farmers for enabling them to raise their income level and living standard. Micro-finance has the potential to augment growth with social justice (Putiazhendi and Satyasai 2000). Putiazhendi and Satyasai reported that the empirical evidence relating to cross sections of countries is replete with the facts that it is possible to lend profitability with low arrears to very poor in a truly sustainable manner within subsidization. UNDP micro-finance is not financial intervention alone. It is a holistic approach intervention and social intermediation along with a provision of financial services needed by the poor such as credit for purchasing either production or consumption goods by farmers.

UNDP micro-finance operation in agricultural development contributes to rural poverty alleviation by expanding opportunities for income generating activities of farmers, empowering rural farmers to have access to agricultural technology, improving the living standard of the rural people mobilizing rural savings, engaging farmers in rural areas in more productive and economic activities. (Ndubi, 2008). Akerele (2000) stated that micro-finance, as operated by UNDP facilitate financial potential of farmers by enabling them access services such as micro-credit, micro-saving and micro-insurance to poor people. Thus, through micro-financial institutions rural farmers are able to have access to credit, accumulate useably large sums of money thus improving their income. This enables them invest in other entrepreneurial vision, work towards financial stability and a sustained agricultural production.

Ashraf (2010) commented that UNDP micro credit services have served as a basis of creation of self employment by placing income generating assets such as farm tools and improved seed varieties in the hands of the poor and by providing them with access to credit and other forms of marketing assistance. Buthe (2000) stated that this is evident from the success of India's Integrated Rural Development Programme (IRDP), Indonesia's Kupedes and Badan Kredit Kecamatan (BKK) and the Grameen Bank of Bangladesh (Ashraf 2011)

2.1.2 Increase income and poverty alleviation

One of the most popular of the new technical tools for economic/agricultural development and poverty reduction are micro-loans made famous in 1976 by the Grameen Bank in Bangladesh. The idea is to loan small amounts of money to farmers in villages so these people can obtain the things they need to increase their economic rewards. (Olabode and Elegbede, 2009). A specific example is the Government's People's Bank which is making loans of \$100 to \$300 to help farmers buy equipment or seeds.

Shekari (2011) stated that farmers income have increased with accessibility to micro-finance service. Literature indicates that there is a great improvement in the farmers' income after their participation in the micro-finance programme compared with when they had not participated. In a study carried out by Makombe, Temba and Kihomb (2001), 82% of the farmers indicated that they had just little improvement in their income before their participation in the programme, while 7.4% of the farmers has little improvement in their income after participation and 19% of the farmers had much increase in income before participation compared with 26% who had much improvement in their income after participation. Ndubi (2008) concluded from his study that farmers who have access to UNDP micro finance services have great improvement in their income after participating in the programme respectively. Available literature (UNDP 1998, USAID 1995)

revealed that UNDP micro credit programmes have a positive impact economically on the farmers' income.

2.1.3 Improvement of farmers' status and poverty alleviation

UNDP poverty Report (2006) confirmed the existence of correlation between enhancement of rural farmers status and poverty alleviation. The social development programme has the potential to reduce poverty through the socio economic emancipation of the poor men, women and the disadvantaged segments of the population. Hussain (1998). Hussain (1998) argued that as a result of economic improvement of the farmers' status due to their participation in the programme, revenue derived from their farm are spent on training their children, which is a very important development that could enhance socio economic wellbeing. Income according to framers enhances to their social status. Dedhich (2002) found out from farmers who participated in UNDP micro finance operation that 7.4% of them used their income in marrying more wives while 15% of the farmers used theirs to build houses and 22.3% of the farmers used their income on consumption by buying items such as bicycles, motorcycles and vehicle which also aid transportation of their farm inputs and produce and 14.9% of the farmers spend theirs on clothing, feeding, celebration of festival and re-investment in the next farming season. According to Narayan and Stern (2002), the micro-finance programme of UNDP has aided in poverty alleviation. It has brought about health support to farmers for improved productivity through (i) improving the nutritional status of farmers and others (ii) preventing and controlling the spread of diseases (iii) increasing the proportion of income budgeted to health care services in households.

Overall, the UNDP micro credit operation has contributed significantly to agricultural development and improved socio economic wellbeing. As agriculture is the main stay of 65-70% of the rural – based population, UNDP has contributed to poverty reduction by (a) eliminating post harvest food losses (b) strengthening agricultural extension services (c) adopting appropriate

methods and technology (d) improving input supply services and credit to farmers among others (Klein 2008). Rural farmers have benefitted from increase access to finance (formal, informal and micro) and increased capacity to sustain their livelihoods (UNDP 2001).

2.2 Theoretical considerations

2.2.1 Hirschman's unbalanced growth theory

This theory was popularized by Hirschman (1967). The theory states that investment should be made in selected sectors rather than simultaneously in all sectors of the economy. No underdeveloped country possesses capital and other resources in such quantities as to invest simultaneously in all sectors. Therefore, investment should be made in few selected sectors or industries for their rapid development and the benefits can facilitate the development of other sectors. Thus the economy gradually moves from the path of unbalanced growth to that of balanced growth (Jhingan 2006).

The contention is that deliberate unbalancing the economy, according to a predesigned strategy, is the best way to achieve economic growth in an underdeveloped country. According to the theory, investments in strategically selected industries or sectors of the economy will lead to new investment opportunities and so pave the way to further economic development. The theory maintains that development has, of course proceeded in this way, with growth being communicated from the leading sectors of the economy to the followers, from one industry to another and from one firm to another.

The theory implies that agricultural development is a rational attempt to accelerate socio-economic development in Nigeria. Developing the agricultural sector through accessibility and availability of micro-finance operations will induce development in other sectors. When rural farmers have access to credit facilities, it will help to alleviate poverty. This will also lead to

improvement in the rural farmers' status (social impact) as they may decide to expand their consumption habits, their economic status may also change because of increase income.

3 Research methodology

Study was conducted in Uyo Local Government Area of Akwa Ibom State, Nigeria. It is one of the 31 local government councils that make up Akwa Ibom State. It lies between 5.05 north and longitude 80E. This is within the equatorial rain forest belt which is a tropical zone that houses vegetation of green foliage of trees, shrubs and oil palm trees. The people speak Ibibio language. It is endowed with abundant mineral and forest resources among which are gravel, silica, sand, clay, timber. Agricultural produce include cassava, yam, vegetables and plantain. Local government area has a population of 309,573 (115, 113 males and 156, 460 females) (NPC, 2006).

Uyo local government area has four (4) clans: Ikono clan, Etoi clan, Oku clan and Offot clan. The local government is characterized by alternating dry and wet seasons. The rainy season extends from March to early October. The dry season extends from November to February. With its suitable mean maximum temperature, this condition is suitable for crops grown in the area. The major crops include cassava, cocoyam, potatoes, yams, plantain, banana and maize. Livestock kept include goats and poultry.

Primary data were collected from two villages within each ward. The four (4) wards constituted the 4 strata of the study. A total of 8 villages and 30 respondents were selected from each, overall, 240 farmers (respondents) participated in the study. The villages were selected purposively based on the considerable number of micro-credit participants. In each village only beneficiaries of UNDP micro finance were purposively study. The study used structured questionnaire and focus group discussion to collect the data. Information was collected on farm household characteristics, resource endowment, and income before and after, source of credit and

problems faced by farmers. Analytical tool used included percentages and inferential statistical tool of Pearson product moment correlation coefficients.

4.1 Analysis

Hypothesis one

Micro-credit services do not significantly relate to poverty alleviation in Uyo local government area.

Table 1

Pearson Product Moment Correlation Coefficient analysis of the relationship between UNDP micro-credit services and poverty alleviation (N=240)

Variable	$\sum x$	$\sum x^2$	$\sum xy$	r-cal
Micro credit services (x)	5150	119505	94800	0.615
Poverty alleviation (y)	4280	78700		

Significant at $p < 0.05$, $df = 238$, $\text{crit } r = 0.194$

From Table 1, the calculated r-value of 0.615 was found to be greater than the critical r-value of 0.194 needed for significance at 0-05 alpha level with 238 degrees of freedom. With this result, the null hypothesis was rejected in support of alternate hypothesis. This implied that a

significant relationship exists between micro-credit services and poverty alleviation in Uyo Local Government Area.

Hypothesis two

Increase income of farmers does not significantly relate to poverty alleviation in Uyo local government area.

Table 2

Pearson product moment correlation coefficient analysis of the relationship between increase income of farmers and poverty alleviation (N=240).

Variable	Σx	Σx^2	Σxy	r-cal
Increase income of farmers (x^2)	5355	118804	94720	0.515
Poverty alleviation (y)	4280	78700		

Significant at $p < 0.05$, $df = 238$, $\text{crit} - r = 0.194$

From table 2, the calculated r-value of 0.515 was found to be greater than the critical r-value of 0.194 needed for significance at 0.05 alpha level with 238 degrees of freedom. With this result, the null hypothesis was rejected in favour of the alternative hypothesis. This implied that a significant relationship exists between increase income of farmers and poverty alleviation in Uyo Local Government Area.

Hypothesis three

Improvement of farmers status (social impact) has not significant relationship with poverty alleviation (N=240)

Table 3

Pearson product moment correlation coefficient analysis of the relationship between improvement of farmers' status and poverty alleviation (N=240).

Variable	Σx	Σx^2	Σxy	r-cal
	Σy	Σy^2		
Improvement of farmers' income (x ²)	5305	117615	89100	0.712
Poverty alleviation (y)	4280	78700		
Significant at $p < 0.05$, $df = 238$, $\text{crit } r = 0.194$				

From table 3, the calculated r-value of 0.712 was found to be greater than the critical r-value of 0.194 needed for significance at 0.05 alpha levels with 238 degrees of freedom. With this result, the null hypothesis was rejected in favour of the alternate hypothesis. This implied that a significant relationship exists between improvement of farmers' status (social impact) and poverty alleviation.

4.2 Discussion

Results of the analysis revealed that a significant relationship exists between micro credit service (of UNDP) and poverty alleviation. This supports Puhazhedhi and Satyasai (2000) that micro-finance is the provision of thrift credit and other financial services or products of very small amounts to the poor farmers for enabling them to raise their income level and living stands. The

findings support Ndubi (2008) that UNDP micro-finance operation in agricultural development contributes to rural poverty alleviation by expanding opportunities for income generating activities by farmers, empowering rural farmers to have access to agricultural technology, improving the living standard of the rural people, mobilizing rural savings, engaging farmers in rural areas in more productive and economic activities.

Results of the analyses also revealed that a significant relationship exists between increase income of farmers and poverty alleviation. The findings support Olabode and Elegbede (2009) that one of the new technical tools for economic/agricultural development and poverty reduction is micro-loans. The long term effect of such loans is increase in farmers' income. Shekari's (2011) findings have been confirmed by this study. Shekari stated that farmers' income has increased with accessibility to micro finance services. Shekari stated that there is a great improvement in the farmers' income after their participation in the micro-finance programme compared with when they had not participated.

The results of the analyses also revealed that a significant relationship exists between improvement of farmers' status and poverty alleviation. The findings agree with UNDP poverty report (2006) that its social development programme major goal is to contribute to the reduction of poverty through the socio-economic emancipation of the poor men, women and the disadvantaged segments of the population. The findings also support Hussain (1998) that as a result of economic improvement of the farmers' status due to their participation in UNDP micro-finance operation, the revenue derived by the farmers from their farm proceeds are spent on educating their children, improving their health care services among other things. Thus, excess income accruing to farmers help to enhance their social status. This is the social impact of UNDP micro-finance operation on poverty alleviation.

5. Conclusion

The result of the study indicates that UNDP micro-finance programme has positive impact on the target beneficiaries. Most of the farmers indicate that the programme has enabled them to train their children, built houses, buy motorcycles and vehicles to ease transportation of their farm inputs and produce. The average income of farmers has also risen. The study has shown that UNDP micro-finance is of optimum benefit to the farmers in terms of improvement in their social status, income and standard of living.

Based on the findings from this study, the following recommendations are made for the improvement of service delivery practices in the UNDP micro finance programme in Uyo local government area.

1. Credit facilities should be made available to farmers to enable them acquire more modern farm implements and other inputs for better productivity.
2. The amount of credit facilities provided to farmers should be increased.
3. Provision should be made for non beneficiaries of UNDP micro finance to benefit equally.

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