

**EFFICIENCY AND THE CONTRIBUTION OF MICRO ENTERPRISE FINANCING OF NATIONAL SPECIAL PROGRAMME ON FOOD SECURITY (NSPFS) IN ABIA STATE, NIGERIA.**

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**ABSTRACT**

The study examined the efficiency and sustainability of the contribution of micro enterprise financing of National Special Programme on Food Security (NSPFS) in Abia State, Nigeria. The objectives of the study were to: determine the efficiency of NSPFS in the state, ascertain the contribution of NSPF to food crop production and livestock enterprise diversification in the various NSPFS Sites, evaluate the volume of funds demanded and supplied to Agro-enterprise under the National Special Programme on Food Security, determine processing units development in NSPFS sites, ascertain the sources of fund and sustainability strategies adopted by NSPFS for enterprise financing as well as the constraints faced by NSPFS on enterprise financing. Secondary data were used in this study. Data were collected from documentations of the NSPFS. Data analyses were carried out with the use of such statistical and econometric tools like frequency tables, percentages, and efficiency index. The result showed that there was increase in yield of sole crops (cassava, yam and cocoyam and melon) across the various sites of NSPFS in the state after 2002. The different enterprises had a favourable supply of funds as the volume of funds supplied was above 50 percent across the sites of NSPFS. Volume of fund supplied to crop and crop/ animal enterprises under Umuobasiukwusite of NSPFS was above 100 percent. There was more than 50% level of achievement of the various Livestock Enterprise diversification. A total of nine processing units were established across the sites of NSPFS. More so, Food and Agricultural Organization paid its own counterpart fund while the others did not pay theirs in the first phase of the programme. The overall efficiency level of the programme in the state was ₦40529.6 (90.16 USD). Beneficiaries should be made to have greater involvement in planning, implementation and credit management. This should constitute a major part of farmers training. Selection of beneficiaries should be based on membership of cooperatives. These strategies would ensure the sustainability of enterprise financing by NSPFS.

**Key Words:** Efficiency, Micro enterprise financing, Programme, NSPFS

**INTRODUCTION**

Agriculture plays a dominant role in Nigeria economy in terms of contribution to the Gross Domestic Product (GDP), employment generation, sources of raw material and market for other sector of the economy as well as export earnings

(Okunmadewa, 2009). It also provide food for man, income for farmers and market for industrial goods (Olawuyiet *al.*, 2010). Despite these importances, agricultural production and food supply in Nigeria is still lagging behind, as a result of low utilizations of modern inputs by farmers, unavailability and inaccessibility of farmland as well as non-mechanized nature of the prevailing agricultural production system. Moreso, one of the responses to the challenges of development in Nigeria Abia State inclusive is the encouragement of entrepreneurial development schemes of which National Special Programme on Food Security is committed to. Entrepreneurial development schemes will inculcate entrepreneurial spirit in the mind of people especially farmers who own small scale enterprises so as to prepare them for wealth creation (Fasua, 2006). Small scale enterprise is very crucial to the development of a country's economy, especially countries like Nigeria. Entrepreneurship is *sine qua non* to national development, poverty eradication and employment generation. It is a bedrock of any nation's industrialization (Ojo, 2009). Therefore in order to improve the national economy, entrepreneurs who are farmers should be supported to expand their scale of production through micro finance (Akpokodje and Olomola, 2000).

The underlying theory for the promotion of specialized institutions and programmes for agriculture is that, when loans are granted to farmers, they are empowered economically to have control over the other factors of production. At the farm level, it is expected that when farmers are sufficiently provided with funding they stand the chance of increasing their production possibility frontier, income and asset holding. By implication, increase in food production by the recipient of loan will in turn boost total food supply at the national level. Therefore the overall objective of micro finance in this respect is the enhancement of the recipients' welfare through economic independence and the production of food in abundance (Mejeha and Ogbe, 2010). In Nigeria, the concept has been popularized with the official launching of micro finance policy by the central bank of Nigeria (CBN, 2005).

According to the policy, micro finance is concerned with providing financial service to the poor who are traditionally not served by the conventional financial institution (CBN, 2005). Micro financial service differ from those of other financial institutions with respect to the smallness of loans advanced and /or

saving collected, the absence of asset based collateral and the simplicity of operations (CBN, 2005).

Over the years, microfinance has emerged as effective strategy for poverty reduction (Iganiga, 2008). Microfinance is acknowledged as one of the prime strategies to achieve the Millennium Development Goals (MDGs). Access to sustainable financial services enables owners of micro enterprises to finance income, build assets, and reduce their vulnerability to external shocks. What is current however, is the effort of governments in Nigeria to modernize micro-(enterprise) financing in rural and urban communities to improve the productive capacity of the rural and urban poor, enhance their economic standing which alleviates the level of the national economy (Iganiga, 2008).

In order to protect marginal and inefficient farmers/entrepreneurs the federal government of Nigeria with respect to food security and agro enterprise development signed agreement with Food and Agricultural Organization (FAO) Special Programme on Food Security (SPFS). Special Programme on Food Security (SPFS) then became a practical vehicle for extending the application of innovative low cost approaches, both technical and institutional, to improving the productivity and sustainability of agricultural systems with the ultimate aim of contributing to better livelihood, reduction in malnutrition and enhancing the income of resource poor farmers/entrepreneur. A major component of this programme is its micro finance service scheme. The micro finance component of the programme is meant to complement other services provided to farmers, by the programme. The programme is to be implemented in phases. This study is designed to assess the first phase of the programme in the state.

Microfinance services, particularly, those sponsored by government have adopted the traditional supply – led subsidized credit approach mainly directed to the agricultural sector and nonfarm activities, such as trading, tailoring, weaving, blacksmithing, agro-processing and transportation. Although the services have resulted in an increased level of credit disbursement and gains in agricultural production and other activities, the effects were short-lived due to the unsustainable nature of the programme (Iganiga, 2008)

Vasanthakumari and Sharma (2003) noted that microcredit providers can become sustainable by recycling resources over and over again. The implication is that a well-performed microfinance program (MFP) can achieve its poverty objective with least cost (Cheng, 2006). He further stated that microfinance alleviates poverty whilst achieving operational and financial sustainability for the service providers. It is however widely believed that

there is a trade-off between outreach and sustainability due to the high transaction costs, high risk and lower expected returns for providing microfinance services to the poor. According to Von Pischke (1996), all types of lending face a trade-off between outreach and sustainability within minimum time horizon such as three to five years.

A microfinance programme can improve its sustainability by choosing to serve a large cross section of population (Paxton, 2002), or serve a population on higher level of incomes. On the other hand, at a given level of sustainability, subsidies from donors and government enable microfinance institutions deepen its outreach to the poor clients. Reaching large numbers of the poorest may therefore justify the provision of subsidies to MFPs specialized in serving them (Zeller and Meyer, 2002).

Additional help to clients in the form of training, technology, marketing, and follow-up can raise profitability and improve a programs impact but will also increase its costs. However, synergies exist too if clients perceive the MFP to be sustainable, more of them will seek its services. As the MFP strives for sustainability it will come up with better products and demand-oriented approaches and increase its efficiency with cost-reducing information systems, new lending technologies, and other such measures. These will in turn increase impact. The government has a role in supporting microfinance by helping with start-up costs for Microfinance programme, creating favourable regulatory /supervisory systems by setting the overall policy in the country and removing the traditional development policy bias against agriculture, rural areas, and small businesses. The broad objective of this study is to assess efficiency and sustainability of the contribution of Micro enterprise financing of National Special Programme on Food Security (NSPFS) in Abia State, Nigeria. Specific objectives include, the examination of the Efficiency of NSPFS across the State, Contribution of NSPF to food crop production and livestock enterprise diversification in the various NSPFS Sites, Volume of funds demanded and supplied to Agro-enterprise under the National Special Programme on Food Security, processing units development in NSPFS sites in Abia State, sources of fund, sustainability strategies adopted by NSPFS for enterprise financing and constraints faced by NSPFS on enterprise financing

## METHODOLOGY

The study was conducted in Abia State, Nigeria in 2012. The state is approximately within latitudes 4° 41' and 6° 14' N and longitudes 7° 10' and 8° E. The geographical location makes it a land-locked State. It occupies a land area of about 5243.775 sq. Km which is approximately 5.8% of the total land area of Nigeria with less than half of this land area being economically utilized (ABSEEDS, 2005). The State is made up of 17 Local Government Areas and three

Agricultural Zones. The Agricultural Zones are Aba, Umuahia and Ohafia. This work covered the first phase of the programme in the state which lasted from 2003 to 2006. The programme operates in three sites in the state. The sites which are in Umuobasiukwu in Ohafia, Ihim in Umuahia and Obioza in Aba Agriculture Zone were purposively selected for the study for equal coverage. From each of the three sites, a list of loan beneficiaries was obtained with the help of the staff of NSPFS. The lists constituted the sampling frame covering beneficiaries from Ihim, Umuobasiukwu and Obioza consisting of 295, 290 and 290 respectively. From those lists 20 respondents were selected from each (of the programme sites), using the random sampling technique. This gave a total of 60 respondents. Two sets of structured questionnaire were used to collect data from both the programme staff and loan beneficiaries. In addition to using questionnaire for data collection, information relevant to the study were collected from publications and other written documents. Data which were collected were analyzed with the use of simple statistical tools such as percentages, frequency tables, and means. Other tools which were applied to the data and the percentage fund supplied to the different enterprise. The percentage fund supplied to the different enterprise is shown as follows;

Efficiency as used by Lafourcade *et al.*, 2005 is as follows;

Efficiency =

$$\frac{\text{Amount spent (operating cost)}}{\text{Number of beneficiaries}} \dots\dots(1)$$

Number of beneficiaries

According to Lafourcade *et al.* (2005), the average cost per borrower among MFIs in Africa is USD 70

Percentage increase in yield would be used to access the contributions of NSPFS to enterprise development/ food security between 2002-2006. Percentage increase in yield is shown as follows;

Percentage (%) increase in yield =

$$\frac{\text{Final yield} - \text{Initial yield}}{\text{Initial yield}} * 100 \dots\dots(2)$$

Initial yield 1

Percentage (%) enterprise fund supplied =

$$\frac{\text{Amount of enterprise fund supplied}}{\text{Amount of enterprise fund demanded}} * 100 \dots\dots(3)$$

Amount of enterprise fund demanded 1

**RESULTS AND DISCUSSION**

Efficiency of NSPFS across the State is shown in Table 1.

Table 1 shows that Ihim gave the least efficiency of ₦ 12212.88 (78.79 USD) when compared with Umuobasiukwu ₦ 12789.83 (82.51 USD) and Obioza ₦ 15526.89 (100.17 USD). This result indicates that Ihim had a better efficiency level than the other sites in the state. This is as a result of the closeness of the site to the state office of the programme and the easy of accessing the borrowers. The overall efficiency level of the programme in the state was ₦ 40529.6 (90.16 USD) indicating that the programme is not efficient or that the programme is spending more on a borrower. This amount could be said to be much since it is more than the average efficiency of 72 USD. This suggests that the operators of the programme should explore every avenue to minimize the amount expended on the beneficiaries. This would enable the programme use the financial resources of the programme more judiciously.

**Table 1: Efficiency of NSPFS across the State.**

Indicator	Ihim	Umuobasiukwu	Obioza	State
<b>Number of beneficiaries</b>	295	290	290	875
<b>Total costs (Naira)</b>	3602800	3709050	4502800	11814650
<b>Efficiency (naira)</b>	12212.88	12789.83	15526.89	40529.6
<b>Efficiency (USD)</b>	78.79	82.51	100.17	90.16

Source: ABIADep (2005) USD 1= ₦155. Note: Any site with efficiency value greater than 72 USD is not efficient indicating that the programme is spending more on a borrower.

**Contribution of NSPF to food crop production in the various NSPFS Sites**

Contribution of NSPF to food crop production in the various NSPFS Sites is shown in Table 2.

Table 2 shows that there was increase in yield of sole crops (cassava, yam and cocoyam and melon) across the various sites of NSPFS in the state after 2002. This indicates that NSPFS contributed to food security in the state. The increase in yield could have been possible based on the mandate of the scheme on

improving agricultural productivity through the provision of low cost innovative technologies. More so, the increase in yield was possible due to the fact that these sole crops formed the bulk of staple foods consumed by both the entrepreneurs and other residents of the state. However, there was a decrease in the yield of for maize in Ihim and Obioza. These could be due to the fact that maize is usually planted with other crops that allow for nutrient addition and prevention of logging in maize. In addition, there

was increase in yield for cassava, yam and rice based intercrops. The increase in yield of intercrop could be to the intensification of production through the provision of improved seeds, fertilizers and other inputs (ABIADep, 2005). More so, the non-

availability of data for rice production whether sole or intercrop in Ihim and Obioza could soil type which is relatively high in acid and the absence of two bodies of supplies which is available at Umuobasiukwu.

**Table 2: Contribution of NSPF to food crop production in the various NSPFS Sites**

Location/ Enterprise Sole crop	Ihim			Umuobasiukwu			Obioza		
	Yield			YIELD			yield		
	Before	After	%	Before	After	%	Before	After	%
	2002	2005	increase	2002	2005	increase	2002	2005	increase
Cassava	13.25	16.1	21.51	13.0	15.40	18.46	12.75	15.64	22.6
Yam	10.9	11.6	6.42	10.3	12.30	19.42	10.55	11.60	9.95
Rice	NA	NA	-	3.3	3.70	12.12	NA	NA	-
Maize	1.28	1.10	-14.06	1.3	1.3	-	1.30	1.26	-3.08
Cocoyam	4.80	5.10	6.25	4.6	5.20	13.04	4.65	5.11	9.89
Melon	0.70	0.750	7.14	0.78	0.80	2.56	0.65	0.74	13.85
Intercrop									
Cassava based intercrop	20	46	130	40	72	80	20	72	260
Yam based intercrop	23	127	452.17	40	105	162	20	81.5	307.5
Rice based intercrop	NA	NA	-	10	33	230	NA	NA	-

Source: ABIADep (2005).

**Contribution of NSPF to livestock enterprise diversification in the various NSPFS Sites**

Contribution of NSPF to livestock enterprise diversification in the various NSPFS Sites is shown in Table 3.

Table 3 shows that there was more than 50% level of achievement of the various Livestock Enterprise diversification. This according to ABIADep (2005) represent the incremental production indicating that NSPFS contribute immensely to Livestock Enterprise diversification.

**Table 3: Contribution of NSPF to livestock enterprise diversification in the various NSPFS Sites**

Location	Ihim			Umuobasiukwu			Obioza		
	Stock produced	Target	% achieved	Stock Produced	Target	% achieved	Stock produced	Target	% achieved
Livestock Enterprise diversification									
Broiler	477	504	70.1	2133	2400	88.88	1010	1125	89.80
Ruminant	10	31	32.2	84	22	26.198	23	84	27.40
Layers	714	1250	57.12	190	500	20.81	290	500	58
Eggs	849	1600	53.06	996	1600	62.2	1255	2400	52.23

Source: ABIADep (2005)

**Volume of funds demanded and supplied to Agro-enterprise under the National Special Programme on Food Security.**

Volume of funds demanded and supplied to Agro-enterprise under the National Special Programme on Food Security is shown in Table 4.

**Table 4: Volume of funds demanded and supplied to Agro-enterprise**

Location Enterprise	Ihim			Umuobasiukwu			Obioza		
	Demand	Supplied	% Supplied	Demand	Supplied	% Supplied	Demand	Supplied	% Supplied
Crop	566000	505700	84.34	380000	440000	115.79	390000	240000	61.54
Animal	153000	109000	71.24	300000	271000	90.33	154000	154000	100.00
Crop/ Animal	205000	174000	84.87	1290000	387000	300.00	1880000	1089000	57.93

Source: ABIADep (2005)

Table 4 shows that there the different enterprises had a favourable supply of funds as the volume of funds supplied was above 50 percent across the sites of NSPFS. However, volume of fund supplied to crop and crop/ animal enterprises under Umuobasiukwu site of NSPFS was above 100 percent. This could be due to the programme self-assessment of the creditworthiness of Agro-entrepreneurs in Umuobasiukwu. In addition, above 100 percent supply of funds to crop and crop/ animal enterprises could be due to the increased capacity building and the participation of entrepreneurs in the design, planning and assumption of ownership of the project.

### Processing unit development in NSPFS sites in Abia State

Processing unit development in NSPFS sites in Abia State is shown in Table 5.

Table 5 shows that a total of nine processing units were established across the sites of NSPFS. This indicates that NSPFS promoted and expanded the processing base on an equitable level for the beneficiaries in the sites for the desired value addition.

**Table 5: Processing unit development in NSPFS sites in Abia State.**

Processing Unit	Sites			Total
	Ihim	Umuobasiukwu	Obioza	
Cassava	2 Unit	1 Unit	2 Units	5 Units
Oil Palm	1 Unit	1 Unit (NF)	1 Unit	3 Units
Rice	-	1 Unit	-	1 Units
Total	3 Units	3 Units	3 Units	9 Units

Source: ABIADep (2005) Note: NF- Not Functional

### Sources of fund

Sources of fund available to NSPFS in Abia State is shown in Table 6.

Table 6 shows that NSPFS had Federal Government of Nigeria, Food and Agricultural Organization, State Government and the Local Government as sources of funds. However, only the Food and Agricultural Organization paid its own counterpart fund while the others did not pay theirs in the first phase of the

programme. The non-payment of counterpart funds to NSPFS could be due to the political instability and low level of commitment to agricultural development by the different government. More so, the constant changes of Local and State Executives coupled with the delay in their inauguration when elected was pointed out as a major reason for the non-payment of counterpart fund to NSPFS (ABIADep, 2005).

**Table 6: Sources of Fund.**

Sources of funds	Initial disbursement	Final disbursement
FGN	-	-
FAO	22,897,866.70	9,147,385
State government	-	-
Local government	-	-

Source: ABIADep (2005)

### Constraints faced by NSPFS on enterprise financing

Constraints faced by NSPFS on enterprise financing is shown in Table 7

**Table 7: Constraints faced by NSPFS on enterprise financing**

S/N	Constraints
1.	<b>Few sessions of STMC and LSMC:</b> There were few sessions of the state technical management committee and local management technical committee meeting due to political situation in the country. The local government executives were constantly being changed and when elected their inauguration took quite some time to take place. Likewise the constant changes of the chairman of the STMV made smooth sessions difficult
2.	<b>Input situation:</b> The use of some basic agro-inputs supplied NSPFS were not maximized due to their relative prices in the open market and SPFS market.
3.	<b>Scarcity of other inputs:</b> Production inputs such as day old chicks (DOCs) and fingerlings were severe Constraints in the diversification components.
4.	<b>Inadequate/Late release of fund:</b> Inadequate /late release of fund by the national coordination hindered smooth implantation of the programme at the site level. A total of ₦68,693,600 was approved over the period of implementation ;only ₦27,442,155 was released for actual site activity which is about 40% achievement
5.	<b>Farmers/beneficiaries inertia to credit recovery effort:</b> the reluctance exhibited by the

beneficiaries over the recovery of credit given to them limited the scope of the project implementation in the sites.

6. **Dearth of crop varieties and paucity of livestock breed:** Limited number of crop varieties that are high yielding Constraints the yield expansion of crops especially roots and tuber which are the major staples in the south east agro-ecological zone
7. **Logistics:** The one vehicle available for field work for all the facilitators was not enough. Only 2 out of 3 serviceable vehicles were funded
8. **High cost and scarcity of input:** High cost and scarcity of agrochemicals limited production levels.

**Source:** ABIADep (2005)

### Conclusions

The overall efficiency level of the programme in the state was ₦ 40529.6 (90.16 USD) indicating that the programme is not efficient or that the programme is spending more on a borrower. This amount could be said to be much since it is more than the average efficiency of 72 USD. This suggests that the operators of the programme should explore every avenue to minimize the amount expended on the beneficiaries. This would enable the programme use the financial resources of the programme more judiciously. In addition, the study shows that there was increase in yield of sole crops (cassava, yam and cocoyam and melon) across the various sites of NSPFS in the state after 2002. This indicates that NSPFS contributed to food crop production and Livestock Enterprise diversification. More so, different enterprises under the scheme had a favourable supply of funds as the volume of funds supplied was above 50 percent across the sites of NSPFS. NSPFS had different sources of funding. However, only the Food and Agricultural Organization paid its own counterpart fund while the others did not pay theirs in the first phase of the programme. Inadequate /late release of fund by the national coordination hindered smooth implantation of the programme at the site level and Limited number of crop varieties that are high yielding Constraints the yield expansion of crops especially roots and tuber which are the major staples in the south east agro-ecological zone

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