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Determinants of Microfinance Institutions Microcredit Procurement among Rural Farm Households in Niger State, Nigeria

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Abstract

The study examined the factors that influenced microcredit program procurement of the microfinance institutions in Niger State. Data were collected using two sets of well structured questionnaires administered to both the microfinance institutions and the respondents respectively. Multi-stage sampling technique was used to sample the institutions and the respondents. Questionnaires were administered to 36 microfinance institutions and 144 respondents. Data were analyzed using descriptive statistics, multiple regression analysis and Likert Scale. The results show that the coefficient for level of education was negatively related to the amount of loan procured at 5% level of significance. Farmers years of experience as well as farm and non-farm incomes were positively related to the amount of loan procured by the maize farmers at 1% level of significance. Similarly, the years of farming experience, farm and non-farm incomes were significant determinants of maize farmers micro-credit procurement ($P<0.05$) under microfinance institutions in Niger state. Furthermore, constraints that impacted on the access to micro-credit facility by maize farmers include level of education, bureaucracy of the institutions, high cost of loan processing, high interest rate and sundry charges, political interference among others. Suggested solutions include setting aside credit limits in order to make economic impact, reinforcement of made of operations of the institutions and designing of farmers specific credit regime program instead of the stencil-type that farmers are expected to bit into.
***Key Words*:** Microfinance Institutions, Microcredit, Constraints, farm Households and Niger.

Introduction

Background of the study

Improved access to agricultural finance is a key to the realization of the objectives of the transformation agenda. Recent financial sector reforms/transformation/ consolidation has placed microfinance options as a viable vehicle for improved credit access by the active/productive poor entrepreneurs. The agricultural sector transformation program of the Nigerian Government came at the right time to meet up with the dynamic challenges facing policy makers grappling with economic growth and development across the globe. Past efforts to mobilize natural resources in Nigeria, like in many developing economies, to meet up with food and raw materials needs as well as other challenges have not been successful in vesting poverty, hunger, illiteracy, disease and inflation. The most recent attempts to intervene have led to the financial re-engineering in the economic sector with a view to make it more dynamic, responsive and demand – driven to the needs of entrepreneurs on sustainable basis in Nigeria. The microfinance banking options was one such development and innovations aimed at improving access to finance by greater number of productive poor entrepreneurs in both rural and urban economies.

Microfinance Institutions (MFIS) refers to those financial institutions that provide credit to both rural and urban productive poor. By definition, Non-Governmental Organization (NGO)-MFIS are semi-formal, non-governmental and community development organizations involved in rural development and poverty alleviation (Marx, 2001). They render both financial (micro – credit) and non-financial services (e.g community development activities on both health and training on vocations) to their members, mainly the rural poor especially women. Access to credit is a critical factor in development and growth of economies. Adegbite, *et.al* (2007) noted that credit is the only tool to break the vicious circle among rural farm households. It is worthy of note that difficulties in credit procurement have been established by various authors (Nto and Mbanasor, 2008; Olaitan, 2005; Okorie, 1998).

Good access to credit would enable farmers venture into new areas as well as acquire improved technology for enhanced performances. In fact, credit supply which determines credit availability is among the key components indentified as critical to the success of any agricultural policy goals (Gonzalez, 1997; Von Pischke, 1999; World Bank, 2007). Credit packages are meant to facilitate acquisition and use of new technologies for agricultural production, processing, and marketing for export of agro based commodities. Credits were administered in cash or in kind through formal or informal groups. Major technological inputs acquired using such credits by farmers for instance include fertilizers, seeds/seedlings, irrigation equipment, mechanical services, equipment for crop or livestock production as well as commodity value-added activities. The latter include processing; packaging, storage and exports. Similarly, Okafor (2000) identified three categories of intermediaries involved in micro-credit delivery operations in Nigeria; (i) the informal sector savings and credit associations, (ii) Public sector specialized credit institutions, (iii) banks and associated financial system institutions.

Marx (2001) using CBN categorization similar to the above, evolved three groups of intermediaries involved in the rural and microfinance institutional frame work in Nigeria. They are formal, semi-formal and informal rural and microfinance institutions (RMFIS). The formal financial institutions/initiatives are: commercial banks, Development Financial institutions (e.g Nigerian Agricultural Co-operative and Rural Development Bank, NACRDB; Nigerian Bank for Commerce and Industry, NBCI; and Nigerian Industrial Development Bank, NIDB) and public sector initiatives (e.g SSICS, ACCIS, SMEX, and NERTUND).

The semi-formal financial institutions are: community banks (owned by communities), microfinance banks (registered under one form of law or the other) (e.g NGO-MFIS). The informal sector comprises unregistered informal self-help groups such as Rotating savings and credit Associations (made up of RSAS and SCA, e.g *Isusu*_or *Etotos* (Igbo), *ESUSU*/*Bam* (Yoruba) *Adashi* (Hausa), *Dashi* (Nupe and Igalas), *Efe* (Ibibios) or *Oku* (Ijaws); Production, savings and credit groups, age grade group, cooperatives, and family and friends (among others) have developmental impact on the rural areas (Nweze and Okorie, 1986; Okeibunor, 1995). However, Nnanna (2004) and Olaitan (2005) identified several credit policies and guidelines which ensure availability of credit through rural banking scheme. These include sectoral allocation of credit and concessionary interest rate; specified percentage of Total Deposit Mobilized in the Rural Areas, Rural Backing Programme; Microfinance Bank; Agricultural Credit Guarantee Scheme, and Nigerian Agricultural Co-operative and Rural Development Bank (NACRDB). With all these, one cannot be in doubt that Nigeria has embarked on good credit policies to ensure availability and accessibility of credit to enhance farming by rural farm households. But this seems not to be yielding desired result especially since after the liberation or deregulation policy; most banks closed some of their branches there by compounding the problem of rural credit scheme (Ogunbayo, 2003; Nwajiuba, 2000). The main reasons were inability of the farmers to cope with the prevailing interest rate and other credit requirements (Ijere and Mbanasor, 1998). Banks are also unwilling to lend to farm households because of the inherent risks/uncertainties associated with the farming sector in addition to the inability of the farmers to provide necessary collateral.

Moreover, banks are also uncomfortable with the high cost of administration of credit to farmers. Farm households on their own are unwilling to procure credit from banks and other lending agencies because of lengthy and cumbersome loan procurement procedure, high cost of loans, untimely disbursement of loan and long distance from source of loan (Usman, 1999; Okorie, 1998; Ijere and Mbanasor, 1998). These conflicting challenges from both banks and farm households raise the question as what could enhance rural credit procurement among rural farm households in Niger State, since as stated earlier, acquisition and use of credit facilities are expected to lead to increase in production and income of beneficiaries and attainment of Millenium Development Goals (MDGs). The current microfinance package is designed with inbuilt mechanisms to ensure broader participation among suppliers and users as well as enhance the flow of investment funds into agricultural sector on sustainable basis (CBN, 2004). Sustainability matters especially to borrowers because one shot intervention in the form of a single loan would not be sufficient to liberate borrowers from poverty, establish a new type of activity such as the smallholder commercial farming that would ensure food security on a sustained basis or create a viable small scale industrial sector (Von Pischke, 1999).

Efficiency and profitability among MFIs largely depends partly on the ability of MFIs to procure and effectively utilize cheap funds and channel them to users with minimal recovery risks, among others (Morduch, 1999; Alimi, 2000) and partly on the ability to identify and remove operational constraints (Khand ker, 1998). This study therefore, aims to determine MFIs' microcredit procurement by farm households in Niger state, and identify constraints inherent in the approach.

Methodology

Study area

The study was conducted in Niger State of Nigeria. Data for the study were collected between May, 2009 and March, 2010. Niger State has a population of 3,954,772 people (NPC, 2006). The climate is characterized by a distinct dry and wet seasons with annual rainfall varying from 1,100mm in the North to 1,600mm in the South (NGSG Diary, 2003). The maximum temperatures which do not exceed 37^0C, are between march and June with the lowest minimal temperatures of usually in December and January (NGSG Diary, 2003). The seasonal variations of air temperatures are constant. The duration of the wet season ranges from 150 days between months of May to September in the Northern part of the state and about 210 days in the Southern part of the state between the months of April to October. The climate, soil and hydrology permits the cultivation of most Nigerian staple crops and still leaves ample scope for grazing and forestry, and freshwater for fishing. The dry season commences in October and the relative humidity could be as how as 1,400mm between December and January (NSADP, 1997).

Sampling technique and data collection

The target population for this study was the maize farmers who took the provision of microcredit services and have benefitted from the MFIs in the study area. The cultivation of Maize in Niger state is practiced in both low land and *fadama* lands under the technology of small scale irrigation. A multi-stage sampling technique was used to draw up the respondents and the MFIs. The sample frame was provided by the Central Bank of Nigeria (CBN) for the list of formal MFIs, Community Banks (CBS) that transformation into microfinance Banks (MBS) and the informal MFIs. In stage I of the sampling procedure, two (2) out of the three (3) agro-ecological zones were purposively selected in consonance with the Niger State Agricultural Development Projects (NSADP) activities of 25 Local Government Areas (LGAs), in consonance with ecological characteristics and cultural practices.

The zones selected were zone 1 and zone 3. In stage 2 of the sampling procedure, MFIs which are stratified into formal, semi-formal and informal were randomly selected. From each stratum, six (6) MFIs were randomly selected, thus giving a total of 18MFIs per zone and 36MFIs of the entire state. Similarly, 2 executive members of each of the selected MFIs were interviewed. In the 3rd and final selection stage, 6 respondents/beneficiaries from each of the 12 MFIs in a zone were randomly selected, thus giving a total of 72 beneficiaries per zone and 144 beneficiaries for the entire state. This represents 72 percent of the total number of LGAs in the state.

Primary data were obtained using two sets of structured and pre-tested questionnaires. One was for the selected institutions and their key officials who completed them. The second set of the questionnaires were for the micro-credit loan beneficiaries. Essentially, it was corroborative of the information in the first questionnaire and helped in determining the workability and constraints of each schemes. Other data gathered were those of the socio-economic characteristics of the respondents - household size, farming system, educational level, production resources, output during the 2009/2010 production season, etc.

Analytical techniques

Descriptive statistics such as tabulations, frequency distribution, means, percentages etc, was used to determine the socio-economic characteristics of the respondents in the study area. Multiple regression model was used to isolate factors which influence micro – credit procurement among maize farm households. In determining the constraints to accessing micro-credit from the MFTs by farm household in the study area, five (5) point Likert scale was used, the responses to an item for each variable were multiplied by the weight attached to obtain response scores.

Model specification:

The implicit form of the regression model used is stated below:

$Y = F (X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8, X_9, X_{10}, X_{11}, X_{12}, X_{13}, e)$…… Equation(i)

Where Y = Amount of Credit Procured (₦)

X_1 = Amount of Agricultural Loan Portfolio (₦)

X_2 = Age of Farmers (years)

X_3 = Gender (1 for male, O for female)
X_4 = Educational level (years in school)
X_5 = Farming experience (years)
X_6 = Household size (No of persons)
X_7 = Interest paid on loan (₦)
X_8 = Loan period (years)
X_9 = Monetary value of collateral presented (₦)
X_{10} = Annual Farm income (₦)
X_{11} = Non-farm income (₦)
X_{12} = Farm size (hectares)
X_{13} = Distance from source of loan (Km)
E = Stochastic error term

Four functional forms were used in order to determine the best fit:
Linear function: $Y= a + b_1 + b_1X_1 + b_2X_2 + b_2X_2 + b_3X_3 + …….. b_{13} X_{13}……$ equation (ii)
Semi-log function: $Y= \text{In } a + b \text{ In } X_1 + b_2 \text{ In } X_2 + b_3 \text{ In } X_3 + …b_{13} \text{ In } X_{13}…$ equation (iii)
Double – log function: $\text{In } Y= \text{In } a + b_1 \text{ In } X_1 + b_2 \text{ In } X_2 + b_3 \text{ In } X_3 + ….. b_{13} \text{ In } X_{13}…$ equation (iv) and
Exponential function: $\text{In } Y= a + b_1 + b_1X_1 + b_2X_2 + b_3X_3 + …….. b_{13} X_{13}…..$equation (v)

The equation which gave the best fit was chosen. R and F – test were also used to determine the extent to which the explanatory variables (X's) explained the relationship with Y which is the amount procured (Adegbite *et al*, 2007; and Nto and Mbanasor, 2009). For the Likert scale; the mean response values are as follows:
No impact = 1; Little impact = 2; Uncertain = 3; Large impact = 4; very large impact = 5

$$\overline{X} = \frac{\Sigma fx}{n} \quad \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots equation\ (vi)$$

Where $\overline{X}$ = mean, $\Sigma = summation\ of$,
X = Normal response value,
f = Frequency of responses in each mode;
n = No of respondents of an item

the cut – off point was determined by finding the mean of the normal value assigned to the options

$$\text{i.e } \overline{X} = \frac{1+2+3+4+5}{5} = 3$$

to make inferential statements, the mean score was compared with the critical mean (3.0). If the calculated mean is greater than the standard critical value, the hypothesis is rejected, otherwise, it is accepted (Mitchell and Agenmonmen, 1994). The Likert scale was a procedure adopted by Ike (2010) in the determination of constraints in accessing the loan under the Delta state Agricultural Loan scheme.

Results and Discussion

Socio-economic characteristics of respondents

The result presented in Table 1 show the socio-economic features of the respondents. It shows that 43.05% of the respondents were between 41 – 50 years age bracket, i.e the beneficiaries were of middle age. The mean age of the respondents was found to be 44.61years. The result almost agrees with the findings of Ndanitsa *et al* (2011). The implication of the result is that microcredit policy of MFIs is tiled towards those who are in their most productive (active) years of age, and might utilize credit obtained for higher production. Furthermore, because farming and other agribusiness are surrounded by risks/uncertainties such as flooding, pests/diseases infestation etc; it therefore requires people who are able and willing to take risks in expectation of profit. The small percentage of the young beneficiaries of the MFIs micro-credit in the area could be due to the migration of able – bodied youths from rural areas to the urban centers in search of white collar jobs and the quest for modern education training. Meanwhile, the low percentage of adults (51 – 60year) (11.81%) is that it corresponds with the retirement age and most of there farmers who are also civil servants, so as to reduce risk of default in repayment since the repayment is drawn from salary (Ucheage, 1995).

The gender distribution of respondents indicated that 67.36% were females and males constituted only 32.64. This result implies that beneficiaries of MFIs micro-credit policy were women entrepreneur.

Table 1: Distribution of the Respondents by Socio-economic Characteristics

Characteristics					Mean
Age group (years	<30 (6.25)	31-40 (38.89)	41-50 (43.05)	51-60	44.61
Gender	Male (32.64)			Female (67.36)	
Household size	1-4 (32.64)	5-8 (49.30)	9-12 (15.28	13-16 (6.25)	8
Farming experience (years)	1-10 (18.75)	11-20 (40.80)	21-30 (31-94)	31-40 (8.51)	24.16
Educational level attained	*FSLC (41.68)	*SSCE/WASC (58.32)	*HND/first Degree (-)	Higher Degree (-)	
Farm size (ha)	<1 (4.27)	1-2 (49.74)	2-3 (37.58)	>3 (8.41)	2.25
Farm income (₦)	<100,000 (18.47)	101,000-500,000 (71.48)	501,000-1m (7.41)	<1m (2.64)	₦25,540

Source: Field survey, 2010; Values in parenthesis are percentage distribution of respondents.
* Key FSLC = First School Leaving Certificate, SSCE = Senior School Certificate of Education, HND = High National Diploma.

This does not concur with the findings of Nto and Mbanasor (2009) who reported that most clients of credit policy of MFIs in Abia State (54%) were males. This finding is also contrary to the popular belief about the study area that farming and other related economic activities were dominated by the male folks. However, the result implies that females are more considered in credit regimes of MFIs since they are more vulnerable to poverty shocks, and one of the strategies (3rd strategy) to reduce poverty (Millenium Development Goal) is women empowerment.

Household size is another socio-economic characteristic of respondents presented in Table 1. The family size of respondents on average was 8 people. This finding also agrees with Ndanitsa *et al* (2011). The large family size could imply a probable more family labour and a consequent greater output and higher income for the farmers, which enhances their repayment capacity. The importance of large family size in size especially in traditional agriculture was also expressed by Olufe (1988), in his study of resource productivity in food-crop production in Kwara State of Nigeria. According to the researcher, family labour accounted for a significant proportion of the total labour for utilized in traditional agriculture, thereby enable the cultivation of large hectarage of farmlands and reducing the cost of hiring labour force farm operations. However, Baba and Wando (1998) explained that the implication of large family sizes is that family expenditure tends to draw more on family income so that only a meager sum is saved and invested eventually on farming.

Maize cultivation served as beneficiaries major enterprises with 18.75% of respondents having 1-10 years of experience; 40.50% had 11-20years experience and the average number of years of experience by respondents in the study area was 24.16years as posited by Osuntogun and Oludimu (1981), several factors are known to affect the credit needs of farmers, prominent among these factors are due to their past experience. It was also revealed that all the respondents had formal education; 41.68% have first school leaving certificate (FSLC) while 58.32% have Senior Secondary School Certificate SSCE/West African School Certificate (WASC) and none have tertiary education certificate like OND, HND or Degree. This suggested that majority of the respondents can read and write, and by implication can easily be educated on skills acquisition to improve on their performance, which could translate to increase productivity and income (Binswanger *et al*, 1993). In spite of high level of literacy (which is predominantly due to modern education stitches) maize farmers who are clients of MFIs in the study area have little or no record kept.

Determinants of Microcredit Procurement of Microfinance Institutions

The average farm income and farm size of the respondents were ₦25,540.00 and 2.25ha respectively.

This suggests that the respondents were small and medium scale entrepreneurs. The result of the multiple regression analysis on the determinants of farmers micro – credit procurement from MFIs in the study area were summarized in Table 2. It shows the result of multiple regression analysis on the determinants of farm house holds micro-credit procurement. The semi-log functional form of the model gave the best fit or estimates of the variables in the model and therefore, was chosen as the lead equation for further analysis of the result presented. The F-ratio is significant ($P<0.01$) while R^2 was 0.596, which implies that the variables in the model were able to explain over 59% of the variability in micro – credit procurement by maize farm households in the study area.

Four of the total variables used in the model were significant. The variables are level of education, farming experience, farm income and non-farm income. However, level of education was negatively related to the amount of credit procured and statistically significant ($P<0.05$). The implication is that as level of education increases, amount of loan procured decrease. This result is contrary to a *priori* expectation that amount of credit procured should increase with level of education. It also suggests that level of education has a maximum level, after which it does not hold anymore. The coefficient of variable, year of faming experience was positively related to amount of loan procured. It was also significant ($P<0.01$). This is in line with a *prior* expectation. The implication of the result is that, the number of years a farmer has been involved in farming could give indication of the practical knowledge he has gained on how best to combine various inputs including credit procured. This agrees with Nwaru *et al.* (2004) and Nto and Mbanasor (2009). All the researchers found that farming experience correlates positively with age, the farmers business ingenuity and the concomitant drive for innovativeness. This would warrant the need for additional investment fund which could be obtained through micro-credit. However, at certain level of farming experience, law of diminishing return or law of diminishing marginal factor cost of inputs sets in so that increasing number of years of farming add nothing to condition required by banks (MFIs) for micro-credit approval (Nto and Mbanasor, 2008).

The coefficient of farm income and non-farm income were statistically significant ($P<0.01$) probability level and maintained the right a *prior* positive sign with amount of micro-credit procured. This implies that high income leads to high savings which in turn attracts banks confidence on the farmer. Secondly, farmer-borrower with high income can easily buy assets which can be presented as collateral in future borrowing.

Constraints in accessing micro – credits

Table 3 presents the result of the constraints to accessing micro-credit of MFIs by farm household engaged in maize enterprise. Sixteen (16) constraints which impacted on farm house holds access to MFIs micro-credit facility in the study area all had large impacts on accessing loans. The response of the respondents is presented and ranked accordingly in Table 3. Furthermore, result of the educational attainment ($x=3.73$) in respect of the completion of application forms was lengthy, cumbersome and complex. The requirement of feasibility studies (or farm project evaluation was also difficult task for intending beneficiaries of the loan). A situation where the illiteracy level was very high (Table 1 reveals that most farm households though had modern education, but was due to primary and secondary education stitches), it is expected that this constraint will constitute a great hindrance to the acquisition of loan.

On bureaucracy, the study revealed that there were excessive bureaucratic bottlenecks involved in loan processing. These rigid procedures include completion to complex forms and pre-audit of the farmers who were in most cases not properly educated. Similarly, it was observed as well that most farmers who obtain the loan forms did not return them due to lack of understanding of their complex nature. Data on processing cost revealed excessive difficulties in processing of the loan form and it was also observed that the administrative charges were high and this seriously depleted the loanable amount, jeopardize the confidence of the intended borrowers and consequently a reduction in the number of farmers that would have benefitted from the facility. In respect of delay in disbursement of loan, the study showed that the interval between the time of application for loan and disbursement was usually too long. It was noted that neither the informal institution nor the beneficiaries could predict the exact time loan would be disbursed. This is due to the fact that there are usually long time lag between the time the financial institutions approved the money meant for loan and when the money was released from the head office (in the case of the universal/commercial banks) or when funds are made available as grants from the donor agencies (in the case of BGO-MFIs).

Table 2: Regression Output Analysis of the Micro-credit Procurement

Variables	Exponential	Double log	Semi log	Linear
Constant	10.631 (9.712)	3.644(2.206)	502381.3 (-104861)	97235.62(0941)
Amount of agric. Loan portfolio	-0701(-383)	-563(3.992)***	-214(-412)	-0.099(-0.556)
Age of farmer	-0.086(-0.541)	-0.022(-184)	0.074(0.511)	0.012(0.066)
Gender	-0.007(0.0337)	-0.057(0.461)	0.076(0.582)	0.24(0.1678)
Educational level	-0.085(-0.522)	-371(-2.280)**	-0.278(-2.408)**	-0.104(-0.796)
Farming experience	-052(-0.274)	-0.068(-0.490)	0.284(2.736)***	-0.225(-1.351)
Household size	-1.352(-0.733)	-0.61(-0.486)	-0.42(0.325)	0.002(0.008)
Interest paid	-0.142(0.695)	-0.045(-0.421)	-0.119(-0.736)	-188(10201)
Loan period	0.011(-0.534)	-0.103(0.212)	-0.291(-0.832)	0.37(1.232)
Value of collateral	-0.312(-1.270)	-0.173(-1.152)	0.0233(0.145)	-0.178(-0.489)
Annual farm income	-0.041(-0.156)	0.238(1.461)	0.282(3.136)***	-0.093(-0.491)
Non-farm income	0.363(1.687)*	0.182(1.019)	0.236(1.148)	0.589(2.871)***
Farm size	0.323(1.114)	0.068(0.387)	0.077(0.435)	0.238(1.319)
Distance from source of loan	0.294(0.68)	0.483(0.893)	0.569(3.696)***	0.388(0.892)
R^2	0.285	0.461	0.596	0.381
R^2 – adjusted	0.097	0.339	0.249	0.249
F – ratio	1.55	3.389***	2.518***	2.518***

Source: field survey, 2010; * and **=significant at 1 and 5 percent.

Table 3: Constraints in accessing micro – credits by maize farm households

Constraints	Extent of impact					
	1	2	3	4	5	$\overline{X}$
Educational level	11	15	26	60	32	3.73
Bureaucracy	16	24	15	35	54	3.45
Processing cost	15	26	12	49	42	3.81
Delay in disbursement	10	15	12	39	68	3.92
Interest rate on loan	11	16	35	37	45	3.93
Attitude of loan officers	13	24	27	38	42	5.56
Political interference	15	18	10	39	62	3.70
Inability to provide guarantors	10	29	33	35	37	3.78
Amount of loan disbursed in relation to amount demanded	8	27	33	40	36	3.65
Change in administration of loan Disbursing authority	10	15	25	42	52	3.80
Awareness	65	32	25	17	5	2.23
Attitude of farmers towards the use of loan	52	40	27	12	13	2.15
Fear of measures to recover loan in event of default	45	35	30	21	12	2.13
The distance between farmers and loan disbursing authority	38	35	30	28	13	2.27
The number of man-days wasted in processing loan	45	40	30	20	5	2.31
Stencil – type loan facility design	50	40	31	12	10	2.46

Source: Field survey, 2010

The timeliness of farm operations and the planning of such operations to coincide with the time income is expected cannot be over emphasized. It is unfortunate that government bureaucracy and that of the financial institutions in most cases led to the fungibility of loan advanced to the farmers. It is important to note here that any money received by the farmer at off-season in the farm can easily be fungible and is likely to affect repayment.

Interest rate on loans reveals that most loan beneficiaries from the MFTs in the study area were not comfortable with the interest charges, even though it was still at concessionary rates during the period under study –maize farmers considered the interest charges high due to risks and uncertainties associated with farming business. They also view with scorn the insurance policy charges (premium) deducted from the amount disbursed to them as they claimed that the insurance companies had not lived up to their obligations in the past. High interest rates and sundry deductions are expected to reduce demand for agricultural loans. Data on attitude of loan officers popularly called credit officers in the MFIs, showed that their activities were not transparent. Most of the respondents recalled that ethnic sentiments, tribalism, bribery scandal and favouritism influence the inclusion of would be beneficiaries of the loans. Extortion of money for survey reasons without clear explanations to the farmers and impolite manners of most credit officers among others were adduced as constraints to accessing loans.

On political interference, the study revealed that this constraint exerted great influence on who received the loan or not. The Directors and Managers of most of these MFIs especially the NGO-MFIs, usually a political appointee was duly bound to comply with the wishes of those who appointed him. It was also shown that a lot of pressure was always mounted on the executive from those who appointed them, political colleagues, friends, political aids and family members to secure loans for themselves or their proxies. Expectedly, the chief executives, made sure that his interest was taken care of before any other considerations. These actions undermined the aims and objectives of the loan facility from the MFIS, aimed at poverty reduction, and to a very large extent, excluded many genuine intending beneficiaries even when they satisfied the requirements of the loan. It was a difficult task for the respondents to find individuals willing to stand as guarantors. This was due to previous experiences guarantors had with loan beneficiaries. Some guarantors disowned some loan beneficiaries when they defaulted. The reason for this was because some loan beneficiaries willfully mismanaged the loans and hope the guarantors would bear the consequences of the loan default.

The amount of loan disbursed in relation to the amount demanded, had a great impact and this was due to the fact that determining the right amount of loan beneficiaries got was a crucial issue on the financial institutions. This was because irrespective of the amount of loan demanded, what was disbursed was subject to the amount made available by the management and/or donor agencies. Sequel to these, all the beneficiaries got below the amount demanded. Even though the MFIs themselves are aware that insufficient loan did not allow the farmers to actually employ improved farming practices that would boost their production, increase their income and enhance repayments, they were however handicapped by the amount made available. Change in the administration of loan disbursing authority and political instability, had great impact. This was sequel to the unstable tenure of the executives. For instance, the conversion of most CBs of MFBs in the study area led to a change of these executives of these institutions. All these altered and prolonged all arrangements on ground for loan administration. Loan disbursement had been deferred indefinitely due to the arrival of new executives and managers who were not interested in advancing loans to the interested farmers, and the money meant for loans to the farmers channeled into contract.

Conclusion and Recommendation

This study considered the socio-economic characteristics of maize farm households as beneficiaries of MFIs' micro-credit program, problems encountered in loan procurement by the beneficiaries and the institutions themselves. It also analyzed the variables that affect credit procurement among maize farmers. The study identified year of farming, experience and income as being directly and positively related to amount of micro-credit procured.

It is on the findings of this study leads to the following recommendations, among others: credit limit should be set in order to make economic impact on the activities of the maize farmers, mode of operation need to be reinforced and sustained to become more business oriented. Government and non-governmental organizations should take the identified problems, relevant socio-economic characteristics and variables affecting credit procurement into consideration when designing credit programs.

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