COMPARATIVE ASSESSMENT OF POVERTY STATUS OF USERS AND NON-USERS OF MICRO CREDIT BY FARMERS IN KWARA STATE, NIGERIA

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Abstract
Poverty is one of the most retarding and devastating factors in human life.Micro credit could be a viable ingredient in the alleviation of poverty. However, studies that comparatively assess the poverty status of users and non-users of micro credit are scanty. The essence of this study is therefore to assess the impact of Micro credit on farmers' poverty status in Kwara state, Nigeria. The study describe the socioeconomic characteristics of the respondents, analyzed the determinants of the poverty status as well as extent of poverty among the users and non-user of microcredit. Cross sectional data was obtained through well-structured questionnaires administered randomly to both users and non-users of Micro credit facilities in Kwara state. For the purpose of this study, 50 users and 100 non-users of Micro credit facilities were selected. Descriptive statistics, logistic regression model and Foster-Greer-Thorbecke (FGT) model were used to analyze the data collected. The result revealed that majority (96%) of the users of microcredit had some level of formal education while, majority (88%) of the non-users had no formal education. The poverty incidence of non-users is 63% while, that of users is 52%. Among the determinants of the households' poverty status, age of the household head and the household size had positive relationship with the household's poverty status. While, farm income, assess to credit as well as belonging to a poverty alleviation group had a negative relationship with the household poverty status.The study therefore recommends that policies that would encourage the use of microcredit by farmers should be put in place. Family planning campaign programmes should also be put in place since the result shows that households with larger family size has a higher tendency of been poor.

Keywords: Micro credit, poverty, income inequality, household income

Introduction
Poverty is a universal phenomenon that affects socio-economic and political well-being of its victims whether in a developed or underdeveloped country, however, available statistics shows that poverty in poor country is absolute and more pronounced in the rural areas (Owuor et al., 2007).

The ultimate goal of agricultural production plans in national development is to raise the standard of living and one of the important yardsticks for measuring standard of living is the average distribution income. According to World Bank (2005) report, there is an existence of high level of income inequality in many low income countries of Sub-Saharan Africa in which Nigeria is inclusive. This high income inequality has been also reported to produce an unfavourable environment for economic growth and development. National Bureau of Statistics(2010) reported that income inequality among households in Nigeria rose from 0.429 in 2004 to 0.447 in 2010, indicating greater income inequality during the period.

The proportion of Nigerians living below the poverty line of one dollar per day has increased dramatically during the last decades (Landes, 2010). Poverty in Nigeria is on the increase and its incidence and severity are more in the agricultural sector. It is a major problem which is more prevalent in the rural areas as 75% of the poor people in the developing countries are in the rural areas characterized by low productivity, small scale enterprise and crude system of farming (Owuor et al., 2007).

Micro credit has evolved as an economic development approach intended to benefit low income men and women, thus regarded as an effective tool for economic development (Zahra, 2008; Ojo, 2009). An effective economic development programme is one in which the poor are the agents of change. The poor do not need aid, they need opportunity (Tessi, 2005) thus promoting economic growth, reduce poverty, support human development and improve the status of urban-rural communities. For the past 20 years, the government, international agencies and social organizations have been focusing on rural and women's development Programmes (Rieneke, 2010; Shanti, 2008) one of the priorities of the Millennium Development Goal is poverty alleviation and economic development, women's empowerment and gender mainstreaming.

According to Kevin (2009) most of the poor farmers have little financial opportunity thus micro-credit could help poor people who have no collateral. Most Nigerian micro entrepreneurs are economically isolated, which means that their market is often local, small and does not offer any demand growth prospects. Commercial banks and other financial institutions normally do not like to go in that area because of the geographical constraints, underdeveloped infrastructure and other physical constraints. On the other hand, there is a substantial demand for micro credit.

However, despite the benefits of micro-credit, its users are being faced with a lot of difficulties ranging from inadequate access to loan, high interest rates on loans as well as low micro credit range. Some of the difficulties arising as a result of inadequate access to credit include insufficient fund to establish storage facilities, inadequate processing facilities, poor linkage with the market and bad roads (PCU-NFDO, 2005). These problems affect the level of productivity and inhibit full utilization of potentials of Micro credit thereby leading to low profitability, low level of income and poor standard of living.

Literature Review

According to Central Bank of Nigeria (2006) "microfinance is the provision of a broad range of financial services such as deposits, loans, payment services, money transfers, and insurance to poor and low income household and their micro-enterprises. Thus, microcredit is a subset of microfinance.

Concept of Microcredit: Microcredit can be defined as provision of thrift, credit and other financial services/ products of very small amount to the poor in rural, semi-urban and urban areas for enabling them to raise their income levels and improve living standards. Microcredit entails the provision of credit facilities to the poor who are not well served by the conventional financial institutions. It has 3 features that distinguish it from other formal financial products (Nwobi, 2010). These are:

(a) Simplicity of operation;
(b) Smallness of loan;

(c) Absence of asset based collateral

This situation has attracted the attention of the Nigerian government and led the Federal government into creating specialized institutions such as the Nigeria Agricultural cooperative and Rural Development Bank (NACRDB) to cater for Credit needs in the Agricultural sector (Oladebe, 2005). NACRDB was renamed Bank of Agriculture in 2010. The specific objective is to act as a development finance institution for delivering credit to the Agricultural sector of the economy. The provide loans to individual farmers, cooperatives, state and federal government agencies. This enables the small-scale farmers to establish and expand their production, enhance food sufficiency, promote household income etc., so as to eradicate poverty.

Impact of Credit on Farmers Poverty Status: Obisesan (2013) analyzed credit accessibility and poverty among small holder cassava farmers in south western Nigeria. Descriptive analysis, Logit regression model and the Foster- Greer Thorbecke class of poverty measures (FGT) were used in this study. The result shows that households with no access to credit had highest poverty incidence with 74.5% described poor.Adewusi (2007) conducted a study on rural livelihood and poverty in Oyo State, Nigeria. The author employed logit model for the data analysis. The results of the logit model revealed gender, years of formal education, access to electricity, access to improved seed, access to veterinary services, distance to the nearest tarred road and access to formal credit facilities were the significant variables.

Babatunde *et al.,* (2008) on the other hand, conducted a study on rural households' poverty in South Western Nigeria. They used exponential model and log of per capita expenditure as the dependent variable. They found that the male gender (dummy), level of education of head of household, farm size, land ownership and membership of farmers' group were positive and significantly related to household's per capita expenditure.

There are some available studies such as: Adams (2007), Olorunsanya et al., (2009), Babatunde et al. (2008), Landes (2010), Olawuyi et al. (2013) that have analyzed poverty status of rural dwellers as well as impact of Micro-credit on poverty. Nevertheless, there appear to be little or no study that had made comparism between the poverty status of users and non-users of Micro-credit facilities, particularly in Kwara state, Nigeria. This gap in knowledge is what this research hopes to fill.The study seeks to answer the following questions: what are the socioeconomic characteristics of the respondent? What are the determinants of the poverty status of the respondents? As well as what is the poverty status of both users and non-users of micro credit? This research has two main objectives. First, it assessed the poverty status of the users and non-users of Micro credit in Kwara state. Second, it analyzed the factors influencing the poverty status of the sampled respondents.

Methodology

The Study Area: This study was conducted in Kwara State, north central Nigeria. Kwara State was chosen for this study because it is among the six poorest in Nigeria in terms of undernourishment and income poverty. About 83% of the population of the State classified themselves as being poor (NBS, 2006). It shares boundaries with Osun, Oyo, Ondo, Kogi, Niger and Ekiti states. Kwara State shares an international boundary with the Republic of Benin in the west. The State has a population of about 2.37million people (NPC, 2006) out of which farmers account for about 70%. The average population density of the state as at 2006 was about 73

people per square kilometer. There are a total of 1,258 rural communities in Kwara State (NPC, 2006). Based on agro-ecological and cultural characteristics, the state is divided into four agricultural zones –zones A, B, C and D, by the Kwara State AgriculturalDevelopment Project (KWADP).

Sampling Techniques: Data used for this study were collected in the year 2014. A three-staged sampling technique was adopted for the study. First, three LGAs were randomly selected from the 16 LGAs in the state. This was followed by purposive selection of five farming communities in each of the selected LGAs. Then, structured questionnaires were administered to ten (10) farming households, giving a total of 150 respondents. The 150 respondents comprises of 50 users and 100 non-users.

Analytical Techniques: Descriptive statistics was used to describe the socio economic characteristics of the farmers.*Logistic model* was used to analyze the determinants of poverty status of the farmers.As such, logistic regression was most appropriate for this study due to its unique ability to account for both categorical and dichotomous dependent variables. The model was specified in the implicit form as follows:

Logit ($E[Y]) = Logit (P) = XT\beta$

Where:

Logit $(E[Y])$ = is the binary response/dependent variable

Logit (P) = the natural log of the odds of success

XT = the explanatory/independent variables

β = is the regression co-efficient

The dependent variable was a dichotomous variable depicting the respondent' poverty status and took the value of 1 if the respondent was poor and 0 if not. The independent variables were the socio-economic factors.

Foster-Greer-Thorbecke (FGT) poverty index was used to depict the extent of poverty among the users and non-users of Micro credit in the study area. The poverty aversion parameters employed were P_0, P_1, and P_2 which means poverty incidence (headcount), gap (depth) and severity respectively.

Results and Discussion

Data and Sample characteristics

Table 1: Socio-economic Profile of the Respondens

Variable	Category	Users (50)		Non-users (100)	
		Frequency	Percentage	Frequency	Percentage
Age	≤ 22	1	2.0	0	0.0
	23-32	4	8.0	6	6.0
	33-42	17	34.0	20	20.0
	43-52	22	44.0	25	25.0
	53-62	4	8.0	12	12.0
	63-72	2	4.0	17	17.0
	73 and above	0	0.00	20	20.0
Marital status	Single	3	6.0	8	8.0

	Married	46	92.0	82	82.0
	Divorced	1	2.0	6	6.0
	Widowed	0	0.0	4	4.0
Sex	Female	4	8.0	0	0.0
	Male	46	92.0	100	100.0
Educational level	No Formal	2	4.0	88	88.0
	Primary	12	24.0	11	11.0
	Secondary	7	14.0	1	1.0
	NCE	5	10.0	0	0.0
	OND	9	18.0	0	0.0
	HND	9	18.0	0	0.0
	University	6	12.0	0	0.0
Annual household income	<= 11000.	0	0.0	35	35.0
	11001-31000	0	0.0	63	63.0
	31001-51000	12	24.0	2	2.0
	51001-71000	11	22.0	0	0.0
	71001-91000	4	8.0	0	0.0
	91001-111000	5	10.0	0	0.0
	111001-131000	3	6.0	0	0.0
	131000 and above	2	4,0	0	0.0
Access to credit	Yes	48	96.0	0	0.0
	No	2	4.0	100	100.0
Household size	1-6	49	98.0	8	8.0
	7-12	1	2.0	32	32.0
	13-18	0	0.0	55	55.0
	19 and above	0	0.0	5	5.0
Membership of cooperative	Yes	48	96.0	43	43.0
	No	2	4.0	57	57.0
Farm Enterprise	Arable farming	35	70.0	100	100.0
	Processing	12	24.0	45	45.0
	Livestock farming	32	64.0	10	10.

Source: Field survey, 2014

The result in table 1 revealed that the average age of household head in the study area was about 53 years old while, the majority of the respondents (47%) were found in the age bracket 43 – 52 years. This indicates that majority of the respondents were getting old and this might decline productivity as well as a threat to food production vis-a-vis impoverish the farming households. It was also shown that over 87% of the sampled respondents have married which implies that most of the respondents were mature and responsible to cater for their households as well as have clear knowledge of their wellbeing. About 60% of the respondents had no formal education, while the remaining ones were educated either by primary (17.5%), secondary (7.5%) and tertiary (14.5%) schools communicates that majority of the farming households were literate and one would deduce that this would alleviate poverty in the study area.

Household size has been seen as one of the major determinants of poverty that is positive to being poor in this part of the world. The mean household size was 8 persons per house and the majority of the respondents (43.3%) fall between 7 and 12 persons per house. Income has

been a vital tool in accessing human wellbeing. About 62.0% of the sampled households earn less than ₦31, 001 per month. While, just only one farming households earn over N131, 001 per month. The average household income was ₦ 37068.6 which means that looking at the responsibilities of these people couple with their household size, there is need to improve on household income in order to alleviate poverty in the study areas.

The study further gave insight to the type of farm enterprise ventured into in the study area using multiple responses. It was revealed that 85% of the respondents were into arable crop farming, while 34.5% of the households were into processing and just 37% of them were into livestock or animal husbandry.

Table 2: Frequency Table of monthly Income of micro credit users before and after accessing microcredit

Income range (N)	Frequency before		Frequency after	
<= 10000	1	2%	0	0%
10001-20000	8	16%	0	0%
20001-30000	17	34%	0	0%
30001-40000	12	24%	6	12%
40001-50000	6	12%	13	26%
50001-60000	1	2%	6	12%
60001-70000	4	8%	8	16%
70001-80000	1	2%	3	6%
80001+	0	0%	14	28%
Total	50	100%	50	100%
Mean	35680		67,600	
Minimum income	10,000		32,000	
Maximum income	80,000		145,000	

Source: Field survey, 2014

The result in table two shows that the users of micro-credit were better off after the usage than before micro-credit usage. About 52% of the farmer are earning income between >₦10, 000 and ₦30,000 but, after they became users of micro-credit all of them had move above this level. The minimum income of the users before was ₦ 10,000. It had now become ₦32,000. The maximum income of the users before accessing micro-credit was ₦80,000 but this has increased to ₦145,000 after the usage of micro-finance.

Econometric Analysis and Results

FGT poverty index was used to depict the extent of poverty among the farming households in the study area. The poverty aversion parameters employed were P_0, P_1, and P_2 which means poverty incidence (headcount), gap (depth) and severity respectively.

Table 3: Poverty Incidence, Depth and Severity of Respondents

	Incidence(P_0)	Depth(P_1)	Severity(P_2)
users of microcredit	0.52	0.058846	0.043279
Non-users of microcredit	0.63	0.1202	0.008392

Source: Field survey, 2014

The poverty status of the respondents were shown in table 3.The poverty incidence shows that among the micro credit users, 52% of the population were poor while among the non-users of micro credit 63% of the population were poor. The poverty depth of the users and non-users are 0.0588 and 0.1202 respectively .This implies that their per capita household income would need to be increased by 5.88% and 12.0% respectively for them to come out of poverty and become non-poor .The poverty severity measures the distance of each poor person to another. Among the users the distance is 0.04327 while in the non-users the distance is 0.0083. A comparison of the poverty status of the users and non-users shows that the poverty status of non-users is higher than that of the users.

Table 4: Logistic Regression Result on the Determinant of Poverty Status

Variable	Coefficient	Standard error	z-value	p>|z|
Education	1.887416	1.49718	1.26	0.207
Farm size	.0998424	.0996288	1.00	0.316
Total household asset	-.0000808**	.0000313	-2.58	0.010
Age	.8195713 *	.4315403	1.90	0.058
Household size	2.579717 ***	.7857872	3.28	0.001
Access to credit	-2.384505***	.832154	-2.87	0.001
Belonging to a poverty alleviation group	-3.977612**	1.547435	-2.57	0.010
Constant	-8.528851**	4.142843	-2.06	0.040
Chi^2 = 169.54				
Pseudo R^2 = 0.8365				
Log likelihood = 16.572317				

Note: ***, ** and * = Figures significant at 1%, 5% and 10% significant levels respectively
Source: Computation from Field Survey Data, 2014

Moreover, the likelihood function of the model was significant (Wald = 16.572317, with p < 0.0000) showing strong explanatory power of the model.

Table 4 shows factors influencing poverty status of the respondents. The chi-square of 169.54 obtained in the study implies that the parameters included in the logistic model are significantly different from zero at the 1 per cent significant level.

The results of the regression model indicated that five of the explanatory variables influenced the poverty status of the respondents. Variables that positively affected poverty status include age and household size that is, the higher their age and household size, the poorer they become. This can be justified based on the fact that an increase in age could result in decline in strength,vigor and productivity. Household size also increases the likelihood of being poor and this could be because of increase in household size directly reduces income per-head (per-capita income) as well as impair standard of living of the households (Asad, 2007).

On the other hand, farm income, access to credit, belonging to a poverty alleviation group had negative coefficients and significantly affects the level of poverty in the study area. An increase in the value of any of these variables increases the likelihood of not being poor. This implies that farming household that belongs to any poverty alleviation group, access to agricultural credit vis-à-vis increase in farm income may likely be non-poor in the study area.

Conclusion and Recommendations

Going by the empirical evidence emanating from this study, the majority of the rural farming households in the study area were poor. The level of income disparity was high and they struggled to find a means of coping with the syndrome of poverty. It therefore suggests a number of policy options that can assist in alleviating poverty. These options are: Policies that will encourage farmers to go into massive production should be put in place. Increased productivity would lead to greater farm income for the farmers. Stakeholders should encourage youths to go into farming so as to reduce pressure that is on white collar jobs. Awareness creation on family planning will go a long way in reducing the household size of the rural farming households since there is tendency of being poor with large household size. Credit facilities should be made available and accessible to the farming households. The poor should be encouraged to save. Borrowers should be encouraged to invest in low risk income generating Agricultural activities.

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