



**EVALUATING THE ROLE OF ANCHOR BORROWER PROGRAMM
TOWARDS ENHANCING ENTREPRENEURSHIP DEVELOPMENT
IN NUMAN LOCAL GOVERNMENT OF ADAMAWA STATE.**

ILIYA SIMON PUKUMA

*Adamawa State Polytechnicyola School of Administrative and Business
Studies Numan, Sabs.*

Abstract

The challenges of financing in rural area affect investment in the agricultural sector that hinder them from engaging in mechanized farming that may increase food supply and will check the prices of agricultural commodity prices and possibility of creating more Job opportunity in the sector with the increase in population in the country Government try to increase food supply by introducing policies are aimed of achieving self-sufficiency in basic food supply among these policies Anchor Borrower programmer of the Central Bank of Nigeria to enhanced employment opportunity in Numan Local Government of Adamawa State. Data are collected through interview and survey method with structure Questionnaire administered with a sample of 300 farmers in Numan local Government out of which 270 were filled and re-farmers that was used for the research. The study reveal that the program have support farmers positively with significant impact on the prices of the commodity and employment generation. Based on findings the Anchor Barrower particularly in Numan Local Government. Keywords: Anchor Borrower Program, From Produce Price, and employment generation. Base on finding the Anchor Borrower program should be encourage are sustained in the state particularly in Numan local Government.

Keywords: *Evaluating, Anchor Borrower Programm, Enhancing, Entrepreneurship Development, Numan Local Government.*

Background of the Study

The broad spectrum of opportunity in agricultural sector paves way for more attentions of the stakeholders and governments across the globe. The Nigeria economy in many ways including loss of revenue, increase investor, proliferation of sub-standard crops in the market, price discrimination, and problem associated with rural-urban migration, and low Productivity among others (Adesina, 2013). This has forced the Nigerian government to place embargo on importation of some agricultural products including, foreign rice, dairy product, and tomatoes, among other commodities through land frontier in order to control or limit the inflow of such commodities (CBN, 2016).

However the low productivity challenges of the Nigerian farmers could be linked to a number of factors, of which agricultural credit facility (loan) remain dominant. Most of the farmers in the rural areas engage in subsistence agriculture and lack sufficient funds to operate, expand their business, or even practice mechanized farming, with modern equipment like plough, tractors and other labor saving devices. Hence, they could not produce enough food to feed the ever growing population of Nigeria. In fact, there is insufficient and limited sources from which funds can be obtained by farmers in the rural areas to improve their productivity (Saheed, 2014). With a limited supply of food, there could be excess demand, whereby there is tendency for a price to rise as demanders compete against each other, thereby increasing domestic prices. This may eventually lead to high price of food items, which mainly hurt the poor, who spend large shares of their income on staple foods, particularly in Nigeria, where food accounts for more than half of household expenditures. Whereas, any increase in food prices seriously reduce both access to food and the ability to purchase other necessities (Saheed, 2014). This volatility of domestic food prices cause economic uncertainty and may result in lower investment.

Inadequate investment in agribusiness from both the government and private sectors remains one of the major challenges of the sector in achieving its potential, as the main employer and driver of development in the rural region. FAO in Fetcher (2014), estimates that about 1.3 billion people could be employed in agriculture around the world, with about 97 per cent of them in developing countries. Since agricultural produces go beyond subsistence and supplies to the food market, the employment impetus for regional economic development tends to be enormous. However, lack of sufficient financing to the

rural farmers, particularly in the study area tends to reduce the farmers' efficiency for optimal operation, which reduces their engagement, particularly during the post-harvest period, when many of the farmers become unemployed. According to Nisha, (2008), it is only during the sowing and harvesting seasons that there appear to be near full employment, however, majority of agricultural labour become jobless once harvesting is over. Whereas, an efficient agricultural sector would in no doubt enable a country to generate employment opportunities (Qiakundun, Falola, and Ibidun, 2014).

Faced with rising threat of food insecurity, and accelerated increase in food prices, and the consequence social crises, particularly problems of unemployment that might result, the government through its agencies began to respond with a new sense of urgency. In an effort to meet the food supply for the growing population of the country, the government also introduced various policies aimed at achieving self-sufficiency in basic food supply and attainment of food security for the entire population, as well as, encouraging production of improved inputs for the local industries, through increased investment in agricultural business and increasing budget. Allocation for the agricultural sector. For example, as at December 2017 about 55 billion have been so far invested in rice industry through anchor borrower programme of Central Bank of Nigeria (CBN, 2015). This is to provide succor to Nigerian rice farmers in order to meet up some challenges associated with high cost of agricultural input, low output, low income, poor seedling, inadequate fertilizer, low patronage, problem of irrigation, water pumping machine among others.

In furtherance to her past efforts to fight inflation and unemployment, the Central Bank of Nigeria in line with its developmental function established the Anchor Borrowers' Programme (ABP) in year 2015 with a view to collaborate with anchor companies involved in the production and processing of key agricultural commodities. The Programme is targeted toward helping local farmers increase production and supply of feedstock to the processors, reduce importance and conserve Nigeria's external reserves.

Under the Scheme, Anchor firms serve as Off-takers in recognition of their track record and experience in working with out-growers involved in production. The Scheme involves a finance model whereby the anchor firms, CBN, NIRSAL and State Government organize the out-growers and ensure that they comply with contractual terms thereby reducing the incidence of side-selling. The

financing institutions serve as veritable channels for delivering credit to the out-growers.

It has been two years since the inception of the programme, and enough period based on the contractual arrangement, for the beneficiary farmers to be evaluated in order to determine the impact of anchor borrower program (ABP) on the farmer's return, as well to examine the impact of ABP on agricultural commodity price and employment generation. It is against this background that this study examines the impact of ABP on agricultural commodity price and employment generation. It is against this background that this study examines the impact of ABP on agricultural commodity price and employment generation in Numan local government area, Adamawa State. Meanwhile, several studies in the past have examined the impact of agricultural finance on agricultural output/productivity, for instance, Bodisewei and Tombofa (2016) examine the linkage between agricultural financing, output and macroeconomic growth, Don (2016) investigated the impact of Central Bank of Nigeria's development finance role of economic growth and development of Nigeria; while, Ekwere, & Edem, (2014) examined the impact of agricultural credit facility in agricultural production and rural development. Furthermore, Nwankwo (2013) carried out an empirical study on the impact of agricultural co-operative and rural development bank between 1990 and 2010 on agricultural productivity in Nigeria, and Duy, (2012) studied the role of access to credit in rice production efficiency of rural households in the Mekong Delta. However, the study on the impact of ABP on agricultural commodity price and employment generation has not been well established.

Giving the foregoing, the challenge of this study therefore, is too critically:

- i. Examine the impact of Anchor Borrower Programmes (ASP) on the agricultural commodity price.
- ii. Investigate the impact of ASP on employment generation.

LITERATURE REVIEW

Anchor borrower program is one of the intervention program of CBN is design to alleviate farmers' challenges, through provision of necessary agricultural input such as farm equipment, fertilizer, water pumping machine, seedling, cash as well as extension services among others. The scheme involves a finance model whereby the anchor firms, CBN, NIRSAL and State Governments

organize the out-growers and ensure that they comply with contractual terms thereby reducing the incidence of side-selling. The financing institutions will serve as veritable channels for delivering credit to the out growers. The stakeholders were drawn from government agency, farmers association, bank of agricultural and individual farmers while, CBN is to service as coordinate organ and financial intermediation.

Theoretically, financial intermediation typically facilitates the channeling of funds between lenders and borrowers. That is, savers (lenders) give funds to an intermediary institution (such as a bank), and that institution gives those finds to spenders i.e. borrowers (Infinite Financial Intermediation, 2015). According to classical and neoclassical economics, as well as most mainstream economics, a financial intermediary is typically a bank that consolidates deposits and uses the finds to transform them into loans. Through the process of financial intermediation, certain assets or liabilities are transformed into different assets or liabilities (*Pierre, 2001; Global Shadow Banking Monitoring Report, 2013,*). That is, savers (lenders) give funds to an intermediary institution (such as a bank), and that institution gives those funds to spenders (borrowers). This may be in the form of loans or mortgages. Alternatively, they may lend the money directly via the financial markets, and eliminate the financial intermediary, which is known as financial disintermediation. Subsequently, in the case rice farmer in the study area are the spender (borrower) Furthermore, current theories of the economic role of financial intermediaries build on the economics of imperfect information that began to emerge during the 1970s with the seminal contributions of Spence (1973) and Rothschild and Stiglitz (1976). Financial intermediaries exist because they can reduce information and transaction costs that arise from an information asymmetry between borrowers and lenders. Financial intermediaries thus assist the efficient functioning of markets, and any factors that affect the amount of credit channeled through financial intermediaries can have significant macroeconomic effects.

There are two strands in the literature that formally explain the existence of financial intermediaries. The first strand emphasizes financial intermediaries' provision of liquidity. The second strand focuses on financial intermediaries' ability to transform the risk characteristics of assets. In both cases, financial intermediation can reduce the cost of channeling financial between borrowers and lenders, leading to a more efficient allocation of resources.

Williamson (1986) developed a model of credit rationing where borrowers are subject to a moral hazard problem. Borrowers are identical *ex ante*, but some receive loans and others do not. A borrower and lender are asymmetrically informed *ex-post* about the return on the borrower's investment project, and the borrower will have an incentive to falsely default on the loan. Costly monitoring by lenders of borrowers together with large scale investment projects imply that there exist increasing returns to scale in lending and borrowing which can be exploited by financial intermediaries. The optimal contract between a lender and a borrower is a debt contract and the lender only monitors in the event of default.

The quantity theory of credit worked upon by Werner (1993) and adopted by Nnamocha and Eke (2015) distinguish between money used for GDP-transaction and non-GDP transaction. They both agreed that banks also function as creators of new money through process of lending, which is required to increase transactions in economic activity. The effect of bank lending or credit depends on whether it is used for productive or unproductive activities. Bank credits used for productive purposes like the Agricultural Borrower Programmes funds to farmers in Kebbi State aims at income growth, employment generation, and it is sustainable. However, credits for unproductive purposes like credit for consumption or asset transaction, according to Werner (1993), are directed towards capital gain and is unsustainable.

From another angle, the Monetary Circuit Theory (MCT), which holds that money is endogenously created by the banking sectors rather than exogenously by the government through the Central bank's lending (Graziani, 1989), focuses on two main cardinal points, that is, the stock and the economic transactions. While the stock is seen as the initial loan advanced by the banks to the farmers, the economic transaction is seen as productive activities initiated by lending from banks over a given period transaction (Keen, 2009, in Ayodeji & John, 2014). In the context of this study, the stock is therefore seen as the initial loan by the Agricultural Borrower Programme to the farmers, while the economic transaction is seen as the effect of the economic transaction which reflects in agricultural commodity prices and employment generation.

Shoab, Luan, xiao, Sanaullah, Qurat, Abdul and Moula (2016) investigate the significance of agricultural finance on agricultural and rural development of Pakistan. Primary data was collected from Borrowers and None Borrowers of

agricultural finance from district Qambar Shahdadkot, Sindh Province of Pakistan. Borrowers of agricultural finance include formal and non-formal sources of finance. The results shows that the total revenue of agricultural finance borrowers was 76000 rupees while the non-borrowers agricultural revenue was 61750 rupees and the variable cost for agricultural finance borrowers was a little bit high then non borrowers as 41652 and 34342 rupees respectively. The variation was due fund available to the farmer. However, based on the peculiar of each nation the result may be not the same if tested elsewhere.

Kiragu (2015) examines the relationship between agricultural financing and productivity of Dairy farming in Central Kenya. The study adopted secondary data. A census survey was undertaken using time series data for the period 1981-2013. Regression model was developed to quantify the impact of credit, number of dairy cattle and number of cooperatives on milk yield. The findings of the study revealed that there is a positive relationship between agricultural financing and productivity of dairy farming in Central Kenya. Ahmad, Imtiaz, and Ijaz (2014) examine socio-economic effect of loan on farmers' daily life in Pakistan. Quantitative research design was used for data collection. Universe of the present study consisted of all farmers who were taking loan from ZTBL microfinance house. A sample of 120 respondents was selected with the help of systematic random sampling. Interview schedule was used as a tool of data collection. The findings of the study show that access to microfinance have significant impact on improving the productivity of farmers and contributing to uplifting the livelihoods. It also increases the production through which farmer is able to reinvest its surplus amount to gain maximum profit. However, the study did not identify what measure used for farmers daily life.

Friday, Ogbechie, Kelikume and Ikpesu (2016) examine the impact of the credit supply, and various commercial bank loan schemes on agricultural sector production in Nigeria. Using vector autoregressive (VAR) approach, the findings of the study revealed that Agricultural Credit Guaranty Scheme Fund does not have positive impact agricultural sector production while commercial loans to agricultural sector had a positive impact on agricultural production. This difference in the impact of fund could be attributed to terms of lending.

Noticeable, this study did not consider the direct impact of credit supply to farmers who are the last resort beneficiary.

Dori (2016) examines the effects of Central Bank of Nigeria's development finance role on economic growth and development of the Nigerian economy, with special reference to Central Bank of Nigeria's Credit Schemes. Descriptive survey method was adopted; The findings from the study revealed that Central Bank of Nigeria's Credit schemes have increased the level of credit inflow which increased the level of productivity, employment generation, agricultural output, domestic trade, rural development, exports, foreign earnings and import substitution in Nigeria and subsequently, this have improved the level of economic growth and development of the Nigerian economy. The generality of this finding is may produce different result if target a particular farmers output, therefore by aggregate all the sector is fault approach.

Abu and Rohana (2016) examine the impact of Commercial Agricultural Credit Scheme (NSCACCS) on poverty alleviation in Niger State, Nigeria. The study adopted content analysis approach, using survey literature. The findings of the study revealed that there is an increase in the lending capacity of CACS without a corresponding increase in poverty alleviation. Using content analysis to study a dynamic situation such experience in rice farming production is not sufficient methodology.

Bodiseowei, and Tombofa (2016) examine the effect of agricultural financing on agricultural output and macroeconomic output in the Nigerian economy. The Error Correction results from the analysis of time series data provided empirical evidence that there is a positive relationship between agricultural credit and agricultural output. Agricultural credit also had a positive effect on real GUP growth over the period of the study. However, credit default by borrowers is a serious menace which reduces the confidence of lenders. By extension there is need to adopt primary data to ascertain what exist presently.

Research Methodology

This section discusses the research design, population of the study, sampling techniques and sample size, source and techniques of data collection, model specification and method of data analysis.

Research Design

The study adopts a survey research design; specifically both quantitative and qualitative mixed approach research design was employed. The study collected cross-sectional data from the study areas and analysis in order to describe and interprets the results. Primary and secondary data were sourced for the study. Primary data was sourced via questionnaire instrument, informant interview, and focus group discussion. While, secondary information was sourced from various publications of CBN. The quantitative data were analyzed using the descriptive statistics.

Findings of the study

The study reveals that the Anchor Borrower program of the Central Bank of Nigeria help in the followings:

- I. Increase in the production of Agricultural Commodity
- II. It has improve employment opportunity in the area reclucing, idleness in the area.
- III. Increase in Gross domestic product.

Recommendation

Base on the findings it was recommend that Government should sustain the program considering its impact in the society and also periodic review of the policy to favour farmers

Conclusion

Base on the study objective to examine the role of Anchor Borrower program in Numan local Government of Adamawa State, analysis on primary data. The study indicate that the anchor borrower program has a positive role in the area. It has also increase farmers participation in agricultural activity. The study is on line with the assertion of Dori (2016) who observe that the central bank of Nigeria credit policy increase the level of credit inflow, productivity, employment generation and agricultural output.

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