



## MICROFINANCE BANKS LENDING AND PERFORMANCE OF SMALL SCALE FARMERS AND PRODUCTION IN KADUNA STATE

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### Abstract

*The study evaluate the impact of Microfinance banks' lending on the performance of small scale farmers in Kachia, Jaba, Igabi, Kaduna North, Sabo Gari and Zaria Local Government Areas of Kaduna state. A total of 120 small scale farmers were randomly selected from Kaduna State. Primary data were collected using structured questionnaires. Descriptive statistics and logistic regression model were used for the analysis. The result revealed that micro financing have significant impact on performance of small scale agricultural farmers in Kaduna State, it was further reveal that strategies adopted by Microfinance Banks on lending have significant impact on the small scale agricultural farmers. However, the study also shows that Microfinance Banks financing capacity were statistically significant in contributing to farmers' income in Kaduna State at 5 percent level. It was concluded that Microfinance Banks play vital role in contributing to the performance of small scale agricultural farmers in Kaduna State. It was recommended that, to enhance the performance of small scale agricultural farmers, Microfinance Banks must subsidize the cost of lending on agricultural material.*

**Keywords:** Microfinance, Banks, SME's, Farmers, Loan

**JEL Classifications:**

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### Introduction

Many countries in both developed and developing economic have adopted different strategies with sole aim of reducing poverty. The issue of poverty reduction occupies a central position in the economic policy of most government all over the world, especially in the developing countries. Emphasis on poverty reduction as a tool for sustainable development is based on the argument that, economic development is the responsiveness of every sector of a nation's economy to grow toward economic growth (Jenko& Adebayo, 2014). In Nigeria, for example, operation feed the nation (OFN), green revolution, petroleum trust fund (PTF), better life for the rural dwellers, people's bank and community were established and put in place to address this problem, unfortunately all of them failed. The shortcoming and failure of

community bank led to the introduction of Micro Finance Banks (Jenko & Adebayo, 2014).

The predominant of small scale agricultural farmers are resource based agriculture and basically subsistence. The farm size ranges from 0.10 hectares to 5.99 hectares and often is scattered holdings per household, production inputs consist mainly of land and family labour. Capital investment is negligible, inputs like fertilizers and chemicals are seldom used and levels of production technology are low. Soil fertility is maintained by bush fallowing, the production is much less market oriented. Several policies to enhance small scale agricultural farmers have been taken by various governments but the corresponding impact on production has not been realized, as policies are seldom fully implemented and fraught with frequent changes. This is due to a variety of reasons such as shortage and improper disbursement of

funds, lack of executive capacity and manpower management problems and inadequate plan preparations (Ugwu & Kanu, 2011).

According to Soludo (2006) that sustained small scale agriculture cannot be achieved without putting in place well focused programs to reduce the problem militating small scale agriculture (farmers) by increasing their access to factors of production especially credit. The latent capacity of the rural small scale farmers would be significantly enhanced though the provision of micro financial services. Microfinance is about providing financial services to the poor who are traditionally not served by the conventional institutions. He believes that microfinance can be distinguished from other formal financial product though the smallness of loans advancement, absence of assets based collateral and the simplicity of operations which is at the level of the common man.

Thus, in order to enhance the flow of financial services to Nigerian rural areas, government has in the past initiated a series of publicly financed micro/rural credit programs and policies targeted at the poor. Notable among such programs were the Rural Banking Program, sectorial allocation of Credit on concessionary interest rate and the Agricultural Credit Guarantee Scheme (ACGS). Other Institutional arrangements were the establishment of the Nigerian Agricultural and Cooperative Bank (NACRB) now the National Directorate of Employment (NDE), the Nigerian Agricultural Insurance Corporation (NAIC), the Peoples Bank of Nigeria (PBN) the Community Bank (CB), the Family Economic Advancement Program (FEP) and later merged the NACRB with PBN and FEAP in 2000 to form the Nigerian

## Literature Review

### Concept of Microfinance

Microfinance is a source of financial services for entrepreneurs and small businesses lacking access to banking and related services (Bruton, Chavez & Khavul, 2011). The two main mechanisms for the delivery of financial services to such clients are; relationship-based banking for individual entrepreneurs and small businesses; and group-based models, where several entrepreneurs come together to apply for loans and other services as a group. In some regions, for example Southern Africa, microfinance is used to describe the supply of financial services to low-income employees, which is closer to the retail finance model prevalent in mainstream banking (Bruton, et al, 2011). For some, microfinance is a movement whose object is "a world in which as many poor and near-poor households as possible have permanent access to an appropriate range of high quality financial services,

Agricultural Cooperative and Rural Development Bank (NACRDB) now Bank of Agriculture (BOA) to enhance the provision of Credit to the agricultural sector.

The major problem of small scale farmers is how to have access to loans from the micro finance banks and some of the micro finance bank demanded for much collateral from the beneficiaries. The activity of Micro-finance Banks as a result of the presence of small scale enterprise is ubiquitous in Kaduna State. However, what has continued to remain doubtful is the obvious direction of the impact of Micro credits on the performance of Small scale farmers.

All the problems stated above, suggested the need for an empirical investigation of the impact of microfinance banks on the performance of small scale farmers. Small scale farmers are expected to reduce the rate of unemployment, empower active poor people, and increase the quantities of goods and services among many. But, the reverse is the case in Nigeria, hence there is need for proper investigation of the impact of microfinance banks on the performance of small scale farmers in Kaduna state.

Therefore, the research question to be addressed is; to what extent does micro-finance banks impacted on the performance of small scale farmers in Kaduna State? The main objective of this study is to investigate the impact of micro-finance banks on the performance of small scale farmers in Kaduna state.

H<sub>0</sub>: Micro financing have not significant impact on performance of small scale agricultural farmers in Kaduna State

including not just credit but also savings, insurance, and fund transfers (Robert, Richard & Veena, (2004).

### Microfinance Policy in Nigeria

In December 2005, the Central Bank of Nigeria (CBN) introduced a Microfinance Policy Framework to enhance the access of micro-entrepreneurs and low income households to financial services required to expand and modernize their operations in order to contribute to rapid economic growth. The rationale was that no inclusive growth can be achieved without improving access of this segment of the economic strata to factors of production, especially financial services (Richard & Veena, 2012).

The basis of this bold initiative in 2005 is still valid. With the benefit of experience spanning over five years of operating the Microfinance Policy, the CBN believes that a review of the Policy to reflect

lessons from experience, global economic trends and the envisioned future for small business development in Nigeria has become auspicious. Microfinance services refer to loans, deposits, insurance, fund transfer and other ancillary non-financial products targeted at low-income clients. Three features distinguish microfinance from other formal financial products: (i) smallness of loans and savings, (ii) absence or reduced emphasis on collateral, and (iii) simplicity of operations (Richard & Veena, 2012).

Before the emergence of Microfinance Banks (MFBs) under the Microfinance Policy, the people that were unserved or under-served by formal financial institutions usually found succour in non-governmental organization-microfinance institutions (NGO-MFIs), moneylenders, friends, relatives, credit unions, etc. These informal sources of funds have helped to partially fill a critical void, in spite of the fact that their activities were neither regulated nor supervised by the CBN. This revised policy framework continues to take cognisance of this category of institutions, which have now become key players in the Nigerian microfinance landscape. However, more emphasis would be placed on MFBs because they are under the regulatory and supervisory purview of the CBN (Richard & Veena, 2004).

The envisioned microfinance sub-sector under the policy regime recognises the existence of informal institutions and provides for their mainstreaming into the national financial system. The policy also seeks to harmonize operating standards and provide a strategic platform for the evolution of microfinance institutions particularly MFBs. Existing non-deposit taking service providers, which continue to operate outside the purview of regulation and supervision of the CBN, would be encouraged to make periodic returns on their operations for statistical purposes to the CBN.

This assignment therefore, presents a revised National Microfinance Policy Framework for Nigeria that would enhance the provision of diversified microfinance services on a sustainable basis for the economically active poor and low income households. It also provides appropriate machinery for tracking the activities of development partners and other non-bank service providers in the microfinance sub-sector of the Nigerian economy (Richard & Veena, 2004).

This revised policy is prepared in exercise of the powers conferred on the CBN by the provisions of Section 33 (1) (b) of the *CBN Act No. 7 of 2007* and in pursuance of the provisions of Sections 56-60 (a) of the *Banks and Other Financial Institutions Act [BOFIA] No. 25 of 1991* [as

amended]. It should be read in conjunction with the MFB Operating Template and the revised Regulatory and Supervisory Guidelines for Microfinance Banks (MFBs) in Nigeria (Richard & Veena, 2012).

There exists a huge untapped potential for financial intermediation at the micro and rural levels of the Nigerian economy. Microfinance banks being established in line with this policy framework should be adequately capitalized, appropriately regulated and supervised to address the need of financing at the micro levels of the economy. Existing community banks should transform to microfinance banks within 24 months of approval of this policy, by increasing their shareholders' funds unimpaired by losses, to a minimum of N 20.0 million, Central Bank of Nigeria should supervise and regulate the microfinance banks.

#### **Models of Microfinance**

All modes of production that can contribute to the achievement of the objectives of government policy on farmer's products will be promoted. In this regard, the thrust of policy strategy will be aimed at promoting greater and sustained forest production for industrial and protective purposes and fostering effective forest and wildlife resources management (Inang & Ukpong, 1992).

#### **Concept of Small Scale Enterprises**

There is hardly any unique, universally accepted definition of Small Scale Enterprises (SMEs) because the classification of business into small and large scale is a subjective judgment (Ekpeyong & Nyong, 1992). Egbuogu (2003) noted that definitions of SMEs vary both between countries and between continents. The major criteria use in the definitions according to Carpenter (2001) could include various combinations of the following: Number of employees, financial strength, Sales value, Relative size, Initial capital outlay and Types of industry. Inang & Ukpong (1992) however, stressed the indicators prominent in most definitions namely, size of capital investment (fixed assets), value of annual turnover (gross output) and number of paid employees. In countries such as the United States of America, Britain and Canada, small and medium business is defined in terms of annual turnover and number of paid employees. In Britain, for instance, a small and medium business is defined as that business with an annual turnover of €2 million or less with fewer than 200 paid employees. The Research institute for Management Sciences, University of Delft, The Netherlands, has classified businesses into four groups and defined small-scale industry as one employing 10 – 99 persons in which the Manager personally performs all the functions of

management without actually taking part in the production. Stanley and Morse (1965) stated that post World War Japan defines small and medium enterprises as one either having capital not exceeding Y50m or having not more than 300 employees in manufacturing industry, and either having capital not greater than Y10m or having not more than 50 employees in commerce and service sectors. They further reported an Indonesia Agency for Small and Medium Enterprises as defining small scale enterprises to mean all enterprises, household or cottage, employing less than 10 full time workers and not using motive power or machinery, and medium sized industry as one employing between 10 – 50 workers and using motive power. From the point of view of quantitative measure, the Indian official version defines small scale industry as comprising manufacturing enterprises with investment in plant and machinery not exceeding 750,000 Rupees. In the definition, employment was emphasized, thus reflecting India's preoccupation with problems of scarcity of capital and unemployment.

## Theoretical Framework

### Theory of Production

In economics, an effort to explain the principles by which a business firm decides how much of each commodity that it sells (outputs or products) it will produce, and how much of each kind of labour, raw material, fixed capital good, etc., it employs (inputs or factors of production) that it will be used. The theory involves some of the most fundamental principles of economics. These include the relationship between the prices of commodities and the prices (or wages or rents) of the productive factors used to produce them and also the relationships between the prices of commodities and productive factors, on the one hand, and the quantities of these commodities and productive factors that are produced or used, on the other.

The various decisions a business enterprise makes about its productive activities can be classified into three layers of increasing complexity. The first layer includes decisions about methods of producing a given quantity of the output in a plant of given size and equipment. It involves the problem of what is called short-run cost minimization. The second layer, including the determination of the most profitable quantities of products to produce in any given plant, deals with what is called short-run profit maximization. The third layer, concerning the determination of the most profitable size and equipment of plant, relates to what is called long-run profit maximization.

In Nigeria, the definition of Small Scale Enterprises also varies from time to time and according to institutions.

The Nigerian Government has used various definitions and criteria in identifying what is referred to as micro and small sized enterprises. At certain point in time, it used investment in machinery and equipment and working capital. At another time, the capital cost and turnover were used. However, the Federal Ministry of Industry, under whose jurisdiction the micro and small sized enterprises are, has adopted a somewhat flexible definition especially as to the values of installed fixed cost. Amidst several definitions provided by the Government and its attendant agency, the National Council on Industry (2001) defined micro enterprises as an industry whose total project cost excluding cost of land but including working capital is not more than N500,000:00 (i.e. US\$50,000). Small scale enterprises on the other hand is defined by the council as an industry whose total project cost excluding cost of land and including working capital does not exceed N5m (US\$500,000).

### The production function

However much of a commodity a business firm produces, it endeavours to produce it as cheaply as possible. Taking the quality of the product and the prices of the productive factors as given, which is the usual situation, the firm's task is to determine the cheapest combination of factors of production that can produce the desired output. This task is best understood in terms of what is called the production function, *i.e.*, an equation that expresses the relationship between the quantities of factors employed and the amount of product obtained. It states the amount of product that can be obtained from each and every combination of factors. This relationship can be written mathematically as  $y = f(x_1, x_2, \dots, x_n; k_1, k_2, \dots, k_m)$ . Here,  $y$  denotes the quantity of output. The firm is presumed to use  $n$  variable factors of production; that is, factors like hourly paid production workers and raw materials, the quantities of which can be increased or decreased. In the formula the quantity of the first variable factor is denoted by  $x_1$  and so on. The firm is also presumed to use  $m$  fixed factors, or factors like fixed machinery, salaried staff, etc., the quantities of which cannot be varied readily or habitually. The available quantity of the first fixed factor is indicated in the formal by  $k_1$  and so on. The entire formula expresses the amount of output that results when specified quantities of factors are employed. It must be noted that though the quantities of the factors determine the quantity of output, the reverse is not true, and as a general rule there will be many combinations of productive

factors that could be used to produce the same output. Finding the cheapest of these is the problem of cost minimization.

$$C = p_1x_1 + \dots + p_nx_n + r_1k_1 + \dots + r_nk_n, \dots \dots \dots (1)$$

In which  $p_1$  denotes the price of a unit of the first variable factor,  $r_1$  denotes the annual cost of owning and maintaining the first fixed factor, and so on. Here again one group of terms, the first, covers variable cost (roughly “direct costs” in

The cost of production is simply the sum of the costs of all of the various factors. It can be written:

accounting terminology), which can be changed readily; another group, the second, covers fixed cost (accountants’ “overhead costs”), which includes items not easily varied.

**Empirical Literature**

Khandker (2005) observed that microfinance supports mainly on activities that often have a low return and low market demand. It may therefore be hypothesized that the aggregate poverty impact of microfinance is modest or even nonexistent. If true, the poverty impact of microfinance observed at the participant level represents either income redistribution or short-run income generation from the microfinance intervention. Khandker’s article examines the effects of microfinance on poverty reduction at both the participant and the aggregate levels using panel data from Bangladesh. The results suggest that access to microfinance contributes to poverty reduction, especially for female participants and to overall poverty reduction at the village level. Microfinance thus helps not only poor participants but also the local economy.

Olu (2009) carried out research on the impact of microfinance on entrepreneurial development; The case of Nigeria, using method of survey research design and questionnaire was administered to gather data and the correlation analysis of the data showed that financial institutions are not adequately financing SMEs, although there was significant differences in growth of business of entrepreneurs who use microfinance institutions and those that do not.

Garwe and Olawale, (2010) conducted studies on obstacles to the growth of new SMEs in South Africa. The instrument used in this study is the questionnaire. The questionnaire comprised structured questions which made it easy for the respondents to indicate their views. The use of five-point Likert scale questions enabled respondents to indicate their opinion on various factors of the business environment that impact on the growth of new SMEs stated that in order to overcome environmental challenges that constraint SMEs from achieving growth, recommended among others, that concessional loans for SMEs should have low interest rates in order to ease the loan burden on the emerging ventures.

In the study conducted by Pandula (2011) on an empirical investigation of SMEs access to bank

finance: A sample of 87 small and medium manufacturing enterprises was drawn from Asmara city using proportionate systematic sampling. A reliable primary data was collected through semi structured and structured questionnaires which were personally administered by the researcher. Descriptive and econometric statistical analysis techniques were used to analyze the data. The study, using logistic regression, found out SMEs representative organizations (representative organizations such as chambers of commerce have high probability of accessing bank finance). The study also revealed that education is a very important element in the demand for credit among small and medium enterprises.

Babajide (2012) conducted a study on the effects of microfinance on micro and small enterprises growth in Nigeria, Taking a sample of 600 organizations and using Structural Equation Model (SEM) to test the research questions. The study found strong evidence that access to microfinance does not enhance growth of micro and small enterprises in Nigeria, however, other firms level characteristics such as business size and business location are found to have positive effect on enterprises growth.

Noruwa and Emeka (2012) carried out research on the role and sustainability of microfinance banks in reducing poverty and development of entrepreneurship in urban and rural areas in Nigeria, using interview method. The findings of the study shows that microfinance have played a great role especially in developing entrepreneurs in rural area, they are however, facing problems of high operating cost and recommended that there is need to establish more microfinance banks especially in rural areas to further promote and developed the entrepreneurial capacity that is needed for transforming the areas and accelerating economic growth.

Also, in a study conducted by Olowa, Moradeyo and Babalola (2013) on the Empirical study of the impact of Microfinance Banks on Small and Medium Enterprises Growth in Nigeria, using

purposive sampling technique in selecting the participating SMEs. The research models applied are pooled least squares regression model, fixed effect least squares regression model and random effect least squares regression model. The results from the study shows that financial services obtained from microfinance banks have positive significant impact on small and medium enterprises growth in Nigeria.

Makorere (2014) conducted a study on the role of microfinance in promoting small and medium enterprises in Tanzania. Follow up data based on 86 listed companies (1997 – 2000) SPSS analysis CFROTA (Cash flow return on total assets) ratio used for performance analysis. The results show that increase in business profit, labour employment, outlet and sales volume are the impact of adequate microfinance access and are statistically significant.

Loca (2014) in their study on Microfinance market diagnosis and beneficiaries impact, case of Albania, where they combines application of both qualitative and quantitative tools, questionnaire, focus group interview and structured interview used. The data was collected from 140 randomly sampled micro, small and medium enterprises, and the findings reveals that, the empirical results from Tobit regression model show that sales level, stock level and availability of bank statement have significant influence on the amount of credit disbursed to micro, small and medium enterprises.

Kisaka and Mwewa (2014) undertook a study on the effects of Micro credit, Micro saving and Training on the Growth of small and medium enterprises in Machokos County, in Kenya, using structured questionnaire in collecting data from 100 businesses. Chi-square was used to test the hypotheses. The finding shows that lending process of microfinance institutions has been successful in increasing the annual production/sales of enterprises served. The findings reveals that Micro credit, Micro saving and Training jointly contribute positively to small and medium enterprises growth.

**Methodology**

$$\frac{4+3+2+1}{10} = 10$$

$$\Sigma fx / \Sigma x = 10/4$$

$$= 2.50$$

Using the interval scale of 0.05, the upper limit cut-off point is 2.50+0.05=2.55 while the lower limit cut-off is 2.50-0.05=2.45. For a given view the mean score was computed by taking the sum of the

This section presents the methodology through which the research objective was achieved. The method used for data collection and analysis. This comprises of research design, population of the study, the study area, sampling size, and method of data analysis.

The population of this study consisted of One million three hundred and twenty two thousand, two hundred and twenty six (1,322,226) Small Scale Farmers who are the beneficiaries of Micro-Finance loan in Kaduna State. The study used stratified sampling method below is the breakdown of the areas in which the research picked as strata:

Kachia have about 3,543 farmers and Jaba have about 2,544 famers. Igabi have about 4,675 and Kaduna North have about 1,566 farmers. Sabo Gari farmers are about 5,312 and finally, Zaria have about 4,654 farmers.

A multi-stage sampling technique was used for the study (Multistage sampling can be a complex form of cluster sampling because it is a type of sampling which involves dividing the population into groups (or clusters). Then, one or more clusters are chosen at random and everyone within the chosen cluster is sampled). The three agricultural zones in Kaduna State were used in the study. (Two (2) LGAs) were randomly selected from each of the three agricultural zones making a total of six (6) LGAs. From the six (6) selected LGAs, two (2) wards from each LGA were randomly selected to give a total of twelve (12) wards. Lastly, ten (10) farmers were randomly selected from each of the wards giving a total of one hundred and twenty (120) respondents which were used for the study.

**Likert Scale Rating**

The liker scale rating of 4-point was applied to assess the problems encountered in obtaining loans. This was carried out by asking the respondents their opinions about the problems they encountered in obtaining loans from both formal and informal sources. The 4-point scale was graded: very serious, serious, undecided and not serious, which have values of 4, 3, 2 and 1 respectively.

Thus, the mean score of the respondents was obtained as follows;

products between the number of responses and the grade point and then divided by the total number of responses.

**Model Specification**

The Logit Regression estimation technique was used to determine the impact of micro-finance banks on the performance of small scale farmers in Kaduna state, Nigeria. The logistic model is stated implicitly with the corresponding a priori

expectation. Rather than choosing parameters that minimize the sum of squared errors (like in ordinary regression), estimation in logistic regression chooses parameters that maximize the likelihood of observing the sample values as;

$$\text{logit}(p) = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + \dots + b_kX_k \dots\dots\dots (2)$$

Where; p is the probability of presence of the characteristic of interest. The logit transformation

is defined as the logged odds:

$$\text{odds} = \frac{p}{1-p} = \frac{\text{probability of presence of characteristic}}{\text{probability of absence of characteristic}}$$

and

$$\text{logit}(p) = \ln\left(\frac{p}{1-p}\right)$$

$$\text{PSSAF} = \ln\left(\frac{P}{1-P}\right) = \beta_0 + \beta_1\text{MF} + \beta_2\text{SMFB}_S + \beta_3\text{MFB}_S\text{FC} + \mu \dots\dots\dots (3)$$

Where;

- $\frac{P}{1-P}$  = PSSAF = Performance of Small Scale Agriculture Farmers, 1 if Microfinance Banks contribute to the performance of Small Scale farming, and 0 if not.
- MF = Micro Financing: 1 if micro financing enhance farmers performance and 0 if not.
- SMFB<sub>S</sub> = Strategies adopted by Microfinance Bank<sub>s</sub>: 1 if MFB<sub>S</sub> adopted strategies and 0 if not.
- MFB<sub>S</sub>FC = Microfinance Banks Financing Capacity: 1if contribute to performance and 0 if not.
- μ = Error term.

**Result and Discussion**

**Table 1: Logistic Regression Estimate**

Variables	Coefficients	Std Error	T - Statistics	Prob. Values
C	-3.042542	0.738047	-4.122425	0.000
MF	5.599509	0.7471193	7.494060	0.000
SMFBs	1.556528	0.717634	2.168973	0.0301
MFBFC	2.718874	0.832864	3.264486	0.001
<b>McFadden R – Squared:</b> 0.693155				
<b>LR Statistics:</b> 177.6062			<b>Prob(F – Statistics):</b> 0.000000	
Hannan-Quinn criter. 0.278368				

Source: Author’s Computation, (2018) E-views 9.0

Binary logistic regression model was used in analysing the impact of micro-finance banks on the performance of small scale farmers in Kaduna state. The estimated coefficient of micro financing (MF) is positive and statistically significant at 5 percent level, to influence the performance of small scale farmers. Micro financing coefficient of

5.599509 means that, with other variables held constant, if micro financing increases by a unit, on the average the performance of small scale farmers increases approximately by 6 units. The result further indicates that 10 percent change in micro financing will bring about 56 percent change to the performance of small scale farmers. This implies,

for example, that if micro financing increases by 10 percent, it correspondingly induces an increase in the performance of small scale farmers by 56 percent. This suggests a positive relationship between micro financing and the performance of small scale farmers (Table 1). The statistically significant positive sign indicates that micro financing plays a very crucial role in performance of small scale farmers in the study areas. The finding further reveal that the performance of small scale farmers depends on the micro financing, however, the result show that micro financing is highly vital therefore, it has a positive impact on the performance of small scale farmers. The result is in conformity with previous studies which showed positive and significant impact between micro finance and performance of small scale agricultural farmers (Noruwa and Emeka, 2012 and Pandula, 2011).

The co-efficient of constant found to have a negative and significant relationship with the performance of small scale farmers. This implies that when factors such as micro financing, strategies adopted by Microfinance Banks and Microfinance Banks financing capacity are set to be zero, the performance of small scale farmers would be decreasing. The finding clearly reveals that all these factors mentioned are good predictors to the performance of small scale farmers. However, the overall result of the model shows that, all the independent variables have a significant impact of micro-finance banks on the performance of small scale farmers, as the LR statistic is 177.6062 whose p-value is about 0.000000, which is very small.

### Conclusion and Recommendations

This study concluded that Microfinance Banks play vital role in contributing to the performance of small scale agricultural farmers in Kaduna State. The study found that MFBs funding activities of have positive significant influence on the performance of small scale agricultural farmers in the study area. The study also indicates that the strategies adopted by MFBs on lending to small scale farmers have significant impact on the performance of small scale agricultural farmers. The study concluded that MFBs financing capacity have a significant impact on the performance of

### Test of Hypothesis: Micro Financing on the Performance of Small Scale Agricultural Farmers in Kaduna State.

Hypothesis states that micro financing banks have not significant impact on performance of small scale agricultural farmers in Kaduna State. The proxies used in this study to represent performance of small scale agriculture farmers include MFBs give credits to small scale agricultural farmers, MFBs act as an agent and MFBs subsidize cost of agricultural material. All the variables had shown to be statistically significant. Since the probability is statistically significant, it suggests that the null hypothesis 1 be rejected and the conclusion be drawn that micro financing have significant impact on performance of small scale agricultural farmers in Kaduna State.

The coefficient of strategies adopted by Microfinance Banks (SMFBs) is positive and statistically significant at 5 percent level, to contribute to the performance of small scale farmers. SMFBs coefficient of 1.556528 means that, with other variable held constant, if SMFBs increase by a unit on the average, performance of small scale farmers will significantly increase by approximately 2 unit. The result further indicates that 10 percent change in SMFBs will bring about 16 percent significant increases in performance of small scale farmers. This implies, for example, that if strategies adopted by Microfinance Banks increases by 10 percent, it correspondingly induces significant rise in the performance of small scale farmers by 16 percent. This suggests a positive relationship between strategies adopted by Microfinance Banks and performance of small scale farmers. The statistically significant positive sign shows that strategies adopted by Microfinance Banks are adequate to boost performance of small scale farmers. The study negate the findings of Babajide, 2012 who found negative relationship between MFBs strategies adopted and performance of small scale farmers.

small scale agricultural farmers in Kaduna State. The study recommends that:

1. To enhance the performance of small scale agricultural farmers, MFBs must subsidize the cost of lending on agricultural material.
2. MFBs must design funding products to attract sufficiently large numbers of productive small scale agricultural farmers and to provide incentives to those who get loans.
3. Interest rate charged on credit facilities should be reduced to motivate the small scale farmers on farming.

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