An Assessment of the Role of “The New Structure for Saving and Credit “Yarda” Micro Credit Scheme“ in Poverty Reduction in the Tarka Valley Area, Niger Republic

Abdulsalam Zakari and Abdou Yerima Aboubacar
Department of Agricultural Economics and Rural Sociology, Faculty of Agriculture, Ahmadu Bello University, Zaria, Nigeria.

Abstract: Poverty is a scourge affecting most of the sub-Saharan countries including Niger Republic. Consequently, poverty reduction has become a noble objective for most governments and many non-governmental organizations. This study examines the role of “Yarda” microcredit scheme in poverty reduction in the Tarka valley area of Niger Republic. Data were generated from sixty micro credit beneficiaries using multi-stage sampling technique. Descriptive statistics and Foster-Greer-Thorbecke’s headcount index measure of poverty were used to analyze the data. Despite some problems encountered by both micro credit beneficiaries and administrator, majority of loan beneficiaries have had their livelihood and household food security increased. It is suggested that for “Yarda” micro credit scheme to reduce poverty more effectively, loan size and repayment period should be increased especially for the very poor. Loan repayment should coincide with the period when income is normally generated from the activity for which the loan is used. Furthermore, loan should be provided according to the debt carrying capacity of each member of the (borrowers) group.

Key words: INTRODUCTION

Poverty is pervasive in the world particularly in the less developed countries where hundred of millions of subsistence farmers live in rural areas in conditions that are neither satisfying nor decent[14]. According to Andersen and Lorch[2], the extent and depth of poverty in the developing world is a disgrace. Poverty is the most precarious problem confronting people in the rural areas, particularly in a landlocked country like Niger Republic.

For decades, the poor in developing countries (and elsewhere) were essentially shut out of credit and saving services from financial institutions, due to the fact that the poor did not meet the traditional criteria for borrowing[2]. Lack of access to credit has plagued poor farmers and rural dwellers for many years. Due to the fact that they have little access to formal financial institutions, poor rural people follow sub optimal risk management and consumption strategies and rely on costly informal credit sources[10].

Rural people need credit to allow investments in their farms and small businesses, to smooth consumption, and to reduce their vulnerability to weather and economic shocks. Recognizing this, government and international donors created banks and lending programmes targeted at rural farmers. The track record of these programmes is mixed, especially with regard to reaching the poor. Reforms and innovations have emerged in recent years to improve credit market opportunities for the rural poor and increase the efficacy of rural finance.

One of such innovations is micro credits, or small loans targeting the poor, and this has transformed the way credit is viewed. Micro credit is intended to help rural poor to alleviate poverty by investing in their own small businesses and farms. Micro credit has not been portrayed as a substitute for agricultural credit, nor for traditional banking as it is far smaller in scale and differently targeted than such lending. It attempts to catalyze economic development that will reduce rural poverty[10].

Niger Republic represents a most challenging environment for the provision of sustainable financial services. Perhaps, foremost is the low income level of the population which results in a demand for micro financial services. In 1995, Niger’s GNP per capital was only US $200 and rural inhabitants suffer marked income fluctuations as a result of frequent droughts[20]. Rural households have to rely almost exclusively on informal intermediaries for financial services. In Niger, the poverty line (the minimum amount required for an
individual to be able to satisfy his basic needs) was reckoned in 1992 to be CFAF 75,000 per person per year in urban areas and CFAF 50,000 in rural areas, with the threshold for extreme poverty reckoned as CFAF 50,000 and CFAF 35,000, respectively. In consequence, nearly two-thirds (63 %) of Niger’s population falls below the poverty line, and just over one-third (34 %) falls below the extreme poverty line. In recent years, Niger Republic has seen the emergence of various micro credit programmes aimed at reducing poverty, particularly in rural areas. The different governmental regimes that led Niger (through the National Poverty Alleviation Programme, and more recently through the Special Programme of President Tanja), along side with international donor agencies have adopted and implemented several micro credit programmes. This study therefore attempted to access the role of micro credit in poverty reduction in the Tarka Valley area of Niger Republic.

The specific objectives are:

- To describe the socio-economic characteristics of the beneficiaries;
- To access the effect of micro credit on the livelihood of the beneficiaries;
- To identify the problems of the beneficiaries with the micro-credit administration, and
- To identify the problems of micro-credit administration in the study area

An Over View of the N.S.S.C “Yarda” Micro Credit Project: The micro credit institution N.S.S.C “Yarda” is a project financed by the European Union (EU) and the government of Niger Republic. It started its activities on January 1st, 2001 with the aims of satisfying the credit needs as well as improving the food security of the populations in the Tarka valley area (Tahoua), Maradi and Zinder. The project provides credit to both men and women who are organized in clusters (groups) of 10 to 15 people called A.P.E.C (Association for ‘L’ Epargne et le credit). As at of October 31, 2005 the project has registered 18 APECs. The project has disbursed 1, 274, 894, 000, FCFA, with repayment rate of 96% as at October 31, 2005. The various types of loan provided by N.S.S.C “Yarda” Project include:

- Micro credit: small loans provided to the economically active poor and low income household to help them engage on income generating activities or expand their small businesses. Micro credit is usually provided in the form of group lending.
- Inventory credit: it consists of storing a part of the farm produce in a reliable warehouse and getting in return a loan which corresponds to the value of this stock at harvest time. The produce stock is used as guarantee for the financial institution. It is returned at the moment of loan repayment. At this period, the farm produce price (and so the value of the stock) have increased in the form of cereals.
- Credit in the form of cereal: here rural people borrow cereals that are stored in a cereal bank owned by the project. The quantity borrowed is returned to the bank after harvest with an interest of 25% of the quantity borrowed.

**MATERIALS AND METHODS**

**Study Area:** The study area (Tarka Valley) is located in the southern part of Tahoua region between Bouza, Konni and Madaoua. Climatologically, the area falls in the sahel zone, therefore having a semi-arid climate, with two identifiable seasons: a short rainy season (June to September) and a long dry season (October to May).

Farming and animal husbandry are the main occupations of the people in the study area. Non-farm activities in the area include butchery, blacksmithing, tailoring, processing of farm products, trading, etc.

Like most rural areas in Niger republic, the study area is a low income area where agriculture forms the heart of the economy. In recent years, the area has been plagued with drought, as a result of failed rains and this situation has destroyed the economic livelihood of the populations.

**Sampling Procedure:** Multi-stage sampling technique was used for this study. Tarka valley area was selected out of the 3 zones in which the project operates. Three villages namely Bouza, Madaoua and Karofane were randomly selected out of about 16 villages covered by “Yarda” in the Tarka Valley. Random sampling technique was then used to select 20 respondents from each of the selected villages.

**Data Collection and Sources:** Primary data were used in the study. The primary data were generated from field interview using structured questionnaire. Data collected include: sex, age, family size, educational level, income level before the loan was obtained; effects of the loan on beneficiaries income, family food security, health. Information on problems faced by micro-credit beneficiaries with the N. S. S. C “Yarda”, and problems faced by the N. S. S. C “Yarda” with the beneficiaries were also collected.

**Analytical Framework:** The data were analysed using simple descriptive statistics and the headcount measure of poverty using the Foster-Greer-Thorbecke indices was used as the analytical tool for the measurement of...
poverty. Income poverty was measured based on the income level of the beneficiaries before and after utilization of the credit obtained. The headcount measure is the simplest measure of the incidence of poverty. It simply measures the proportion of the population that is counted as poor. It is specified as:

\[ P = \frac{N_p}{N} \]

Where:
- \( P \) is the percentage of the poor,
- \( N_p \) is the number of poor,
- \( N \) is the total population.

**RESULTS AND DISCUSSION**

**Socio-Economic Characteristics of Respondents:**
The socio-economic characteristics provide an insight on the social and economic activities of the respondents. The socio-economic characteristics considered include sex, age, household size, educational level and occupation as in Table 1.

**Age and Sex of Respondents:** Age, to a certain extent, affects the managerial ability of a person and his access to some production inputs. This is especially true in traditional societies like in Nigeria and Niger Republic where responsibilities are assigned according to age\(^1\). Also, Danis\(^6\) observed that all societies recognise age as a basis of status which is usually classified. It is often being postulated that younger age is associated with adoption of new ideas because of anticipated longer life span within which the investment in a new technology will pay off\(^8\).

The survey revealed that most of the respondents were within the ages defined by FAO\(^{11}\) as economically productive in a population (15-64 years). It was found that 6.66% of the respondents are in the age group of 21 – 30 years; 30.67% are within 31-40 years; 15% are within 51 – 60 years; 26.67% are within 41-50 years, while 20% are more than 60 years. The results indicate that majority of the respondents (73.34%) are within the active labour age. Consequently, respondents between 31 to 60 years can be regarded as more stable in terms of residency and can put more effort in productive activities, hence can make good use of the loan given to them and as well ensure frequent loan repayment.

On the other hand, respondents within ages 21 – 30 years are more likely to be unstable in terms of residency within the villages. They are usually more likely to move from the rural area to the urban centre in search of better paying jobs, while those within the range of more than 60 years are regarded as old and may not significantly increase productivity. Therefore loan given to active labour force (31-60 years) could increase loan productivity, thereby reducing the rate of poverty among members of the community.

Furthermore, the results indicate that 45% of respondents are male, while 55% are female. These percentages show clearly that the number of female beneficiaries is greater than that of male beneficiaries. This situation is explained by the fact that in the study area women are more engaged in income generating activities such as small-scale non-farm businesses than men. The high number of women loan beneficiaries is also due to the fact that women are more interested in small loans than men. This because of the nature of women’s economic activities which do not require large capital investment.

**Household Size of Respondents:** The number of persons in the household is a very important consideration in determining the labor available for farm work and gender role in most agricultural production\(^{12}\). It also affects the household income, farm size, household food requirement, etc. The analysis of the household size of respondents indicate that 33.33% of the respondents have a household size of more than 9 people; 46.67% have a household size of 7-9 people; 18.33% have a household size of 4 – 6 people; while only 1.67% of the respondents have a household size of 1 – 3 people. This shows that majority of respondents have a fairly large household size. The large household size can affect the effective use of loan, as loan beneficiaries with large family size

| Table 1: Socio-Economic Characteristics of Respondents |
|-------------------|-------------------|-------------------|
| **Variable**       | **Frequency**     | **Percentage (%)** |
| **Age**            |                   |                   |
| 21 – 30            | 4                 | 6.66              |
| 31 – 40            | 19                | 31.67             |
| 41 – 50            | 16                | 26.67             |
| 51 – 60            | 9                 | 15                |
| Over 60            | 12                | 20                |
| **Total**          | 60                | 100               |
| **Household size** |                   |                   |
| 1 – 3              | 1                 | 1.67              |
| 4 – 6              | 11                | 18.33             |
| 7 – 9              | 28                | 46.67             |
| Over 9             | 20                | 33.33             |
| **Total**          | 60                | 100               |
| **Educational level** |                |                   |
| Never been to school | 39          | 65                |
| Primary school     | 10                | 16.67             |
| Secondary school   | 8                 | 13.33             |
| Adult education    | 3                 | 5                 |
| **Total**          | 60                | 100               |
| **Occupation**     |                   |                   |
| Farming            | 25                | 41.66             |
| Petty trading      | 15                | 25                |
| Processing and sale of food | 10          | 16.67             |
| Processing of agric products | 3          | 5                 |
| Others             | 7                 | 11.67             |
| **Total**          | 60                | 100               |

Source: Filed Survey 2006
tend to spend more on consumption and other household obligations, though some household members can provide income or labour to the business.

**Educational Level of Respondents:** Education is one of the most important factors for the improvement of the socio-economic condition of the rural people. The level of education of a person is an important factor that determine his/her ability to understand policies or programmes that affect vocation/profession, to accept and adopt innovations, to make decisions on production, sale and enterprise selection, access to formal credit sources etc.

It was found that only 13.33% of the respondents attended secondary school; 16.67% attended primary school, while 65% of the respondents have never been to school. Also 5% of the respondents attended adult education. These results reveal a high illiteracy level among respondents and it is expected that the high illiteracy level will affect easy understanding and effective use of loan by beneficiaries.

**Occupation of Respondents:** It is very important to analyze the major occupation of the respondents as this would give an insight into their needs in the study area. It was found that 41.66% of respondents regard farming as their major occupation; 25% of the respondents are engaged in petty trading; 16.67% are engaged in the processing and sale of food; 5% are engaged in the processing of agricultural products; while 11.67% of the respondents consider activities like butchery, tailoring; currency exchange and dyeing as their major occupation. It should be noted that most of the respondents have a secondary occupation. The study revealed that majority of respondents (66.66%) is engaged in farming and petty trading, which they combine with other income generating activities such as livestock production. This strongly indicates that farming is the predominant occupation of the populations in the study area. The predominance of farming and petty trading is as a result of high rate of illiteracy which forces most of the respondents into farming and petty trading. These vocations or professions do not require formal educational knowledge to setup.

**Effects of Micro Credit on the Beneficiaries:** The various effects of the N.S.S.C“Yarda” micro credit programme on the livelihood of the beneficiaries are discussed here under.

**Effect of Credit on the Income:** Most (about 88.33%) of respondents affirmed that there has been increase in their income after the loan was obtained, 1.67% had their income decreased while 10% affirmed that the loan has had no effect on their income level after utilization. The increase in income of majority of respondents is as a result of returns yielded by the investment. The decrease in income, according to the respondents, was as a result of business failure and the loan beneficiary has no other choice than to use income from other activities or to borrow money in order to repay the loan. 10% of the respondents reported that the loan has had no effect on their income because they have used the loan for non productive activities such as health care (1.67%) or because they did not get profit from their investments (8.33%).

The result of the headcount measure of poverty among the beneficiaries shows that only about 30 percent of the beneficiaries obtained incomes that were above the thresh hold for extreme poverty (reckoned at CFAF 35,000) after their utilization of the credit as against about 22 percent before using the credit facility. This implies that the micro credit scheme has reduced the level of poverty from 78% to 70% among the micro credit benefiting respondents.

**Effect of the Credit on the Health Status:** Majority (56.66%) of the respondents reported that their health has improved as result of increase in income because part of the profit generated from the investment is devoted the health care (for instance buying of drugs); therefore, the loan has contributed to the improvement of the welfare of respondents. On the other hand however, 11.67% of the respondents declared that there was deterioration in their health conditions. This was due to the fact that some respondents who do not want to default in repayment over toiled themselves too much, often to the point of exhaustion. About one-third (31.67%) of the respondents affirmed that there has been no change in their health status after they had received the loan and therefore the loan has brought no change to their health.

**Effects of Loan on Household Food Security:** It was found that majority (70%) of the respondents reported that their household food security has improved as result of increase in income and/or production. On the other hand, 5% of the respondents reported a deterioration of their household food security probably as a result of failure of activities in which they have invested (for instance crop failure) while 25% of respondents said that they did not notice any change in the food consumption pattern of their households, because the profit from loan investment or the change in production was not significant enough for them to change consumption pattern.
<table>
<thead>
<tr>
<th>Nature of the Problem</th>
<th>Frequency</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan is too small</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>High interest rate</td>
<td>1</td>
<td>1.67</td>
</tr>
<tr>
<td>Repayment period is short</td>
<td>12</td>
<td>20</td>
</tr>
<tr>
<td>Processes before loan disbursement</td>
<td>7</td>
<td>11.67</td>
</tr>
<tr>
<td>Dependence on group members</td>
<td>5</td>
<td>8.33</td>
</tr>
<tr>
<td>None</td>
<td>23</td>
<td>38.33</td>
</tr>
<tr>
<td>Total</td>
<td>60</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Filed Survey 2006

Problems Faced by Respondents with the Loan Scheme: The respondents enumerated some problems affecting access and utilization of the micro credit scheme. These are shown in table 2. 20% of the respondents associated their problem with the loan scheme to inadequate loan size (the inadequacy of the loan size is relative because loan vary from 40,000 CFA to 200,000 CFA and yet from each category there are respondents that talk of inadequate loan size). This means that these as not much enough to carry out the types of income generating activities they desire. 20% of the respondents associated their problems to short repayment period (6 months to 1 year, depending on the type of activity for which the loan was granted); 11.38% of the respondents complained of money and time wastage before the loan is disbursed; only 1.67% complained of high interest rate (2% per month); while 38.33% of the respondents affirmed to have no problem with the loan scheme, 8.33% of the respondents complained of the dependence on group members for new loans, that is loans are provided to individual borrowers who are organized in a group, group members are collectively responsible for the full and timely repayment of the loans and none of the group members can get a new loan until all group members repay their loans in full.

Problems Faced by the Project with Loan Beneficiaries: “The Nouvelle Structure d’Epargne et de Credit” “yarda” (New Structure for Saving and Credit “Yarda”) officials indicated the following as the major problems they are facing with loan beneficiaries.

- Delay in loan repayment: Some group leaders delay repayment because they cannot not meet their obligations at the time the loan falls due for repayment.
- Loan Diversion: Many borrowers do not use the loan for the purpose for which they have requested the loan.
- Some group leaders form groups with non existing peoples (they exist only on paper) in order to get large volume of loan.

In order to counteract these problems some of the strategies being employed by the project include:

- the project have imposed individual and frequent loan repayments installment (weekly or monthly).
- the project has empowered the whole group (of borrowers) to monitor loan use of each individual borrowers because the whole group is responsible for the timely and full repayment of the loan of each of its members.
- loan officers are participating to the formation of solidarity groups. Also, loan officers interview each group member in order to have an idea of his/her debt carrying capacity.

Conclusion: An attempt has been made in this study to examine the role played by the New Structure for Saving and Credit “Yarda” micro credit scheme in poverty reduction in the Tarka Valley area of Niger Republic. The study attempted to describe the socio economic characteristics of micro credit beneficiaries, determined the effect of micro credit on the livelihood of beneficiaries and identified the problems faced by beneficiaries with the micro credit scheme as well as problems faced by the micro credit project with beneficiaries.

Micro credit has introduced some major innovations in rural finance approaches. The results of this study have demonstrated the major contributions of “Yarda” microcredit scheme to poverty reduction in the study area through increase in income and diversification of income sources of beneficiaries as well as through the improvement of health status and household food security of beneficiaries. Therefore, it can be concluded that “Yarda” micro credit scheme has positively contributed to poverty reduction in the Tarka Valley area of Niger Republic.

Recommendations: Based on the findings of this study, the following recommendations are suggested:

- Loan should be provided by the scheme according to the debt carrying capacity of each group member, instead of giving all group members similar loan size.
- Loan duration should coincide with the period when income is normally generated from the activity for which the loan is used to avoid loan default.
- People should be educated that poverty reduction loans are not different from commercial bank loans in terms of repayment and therefore they will have to repay loans.
- Different interest rates should be charged on different types of investment by the micro credit scheme.
- Government and non-governmental organizations should provide adequate storage, processing and
road infrastructures to facilitate business activities in the study area.

REFERENCES