

## Impact of National Fadama 111 Development Project Financing on the Socio-Economic Growth of Ebonyi State in Nigeria

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**Abstract:** One of the major problems confronting Nigeria today is how to improve the quality of life in the rural areas, reduce the level of poverty and contribute to economic growth through Fadama 111 Development Project. The aim of this study is to investigate the impact of National Fadama Development Project Financing on the socio-economic growth of Ebonyi State using contents analysis and descriptive survey. It was discovered that counterpart contribution by Ebonyi State government has significant effect on socio-economic development of Ebonyi State and that there is long run correlation between counterpart contribution by Local Government Areas of Ebonyi State and socio-economic development of the state. We concluded that introducing the principles of comparative advantage, by the provision of credit facilities to the comparative group in Ebonyi State, only for those businesses that earned them the highest income should be encouraged.

**Keywords:** Fadama, Financing, Economic Growth, Counterpart, Income.

### INTRODUCTION

One of the major problems confronting Nigeria today is how to improve the quality of life in the rural areas, reduce the level of poverty and contribute to economic growth. Fadama 111 Development Project through agriculture contributes immensely to the Nigerian economy in many ways, namely; in the provision of food for the increasing population; supply of adequate raw materials to a growing industrial sector; a major source of employment generation, foreign exchange earnings; and, provision of a market for the products of the industrial sector [1-3].

The Fadama 111 Project has a strong rural base; hence, generating concern for agriculture and rural development. Support for agriculture is widely driven by both Government and the public sector, which has established institutional support in form of agricultural research, extension, commodity marketing, input supply, and land use legislation, to fast-track development of agriculture and rural economic empowerment through Fadama 111 project financing [4].

The inability of this sector to expand was due to inadequate financing to improve on the situation that is, facilitating agricultural credit. Also, the problem of rapid agricultural development in Nigeria indicates that efforts directed at achieving expanded economic base of the rural farmers were frustrated by the scarcity of and restrictive access to loan fund. One of the reasons for the decline in the contribution of agriculture to the

economy is lack of formal National credit policy and paucity of credit institutions which can assist farmers [5]. Fadama 111 project provides rural finance through the Nigerian Agricultural Co-operative and Rural Development Bank and as well develops the interests of the private sector in agriculture by contracting private organizations to support farmers with advisory and technical services.

In Nigeria, the term “Fadama” is a Hausa name for irrigable land—usually low-lying plains underlaid by shallow aquifers found along major river systems. In addition to providing a source of water for livestock during dry seasons, Fadamas also support large and diverse resident or transient wildlife including herbivores, carnivores and migratory birds. Fadama 111 Development Project became disbursement effective on March 29, 2009 in Ebonyi State of Nigeria. Like every other participating state, Ebonyi State ushered in the project because of the financial effectiveness of the project.

The low volume of business in the rural areas where poverty is most prevalent cannot guarantee sustainable business activities to encourage the establishment of commercial banks to provide the needed finance for agricultural production. Moreover, the cost implication of processing Fadama 111 Development Project in the rural economy makes it unattractive for conventional banks to channel their resources to farming. Although, the commercial banks finance agricultural activities and other developmental

activities but their credits are urban based and so small that their impact cannot be felt in the rural areas where farming actually takes place. Lack of priority attention to rural population in credit delivery by commercial and other banks in the economy contributed to the depressed economic conditions in the rural economy, and this situation also affects the overall economic growth and development of the nation [6].

The Federal Government of Nigeria established many institutions, programmes and schemes aimed at providing the financial needs of the rural farmers. The major institutions established among others are Fadama III Development Project to provide credit facilities for agricultural growth and development in Nigeria[7].

In Bayelsa State, Fadama 111 Project has drawn-down and disbursed a total sum of six million, eight hundred and forty-four thousand, three hundred and thirty-four (USD 6,844,334.21) US Dollars to the developed and approved 184 Local Development Plans (LDP), 2417 subprojects and has fully implemented 1519 sub-projects. Thus, 898 subprojects are on-going, while 621 subprojects are fully completed. Thirty LDPs had been fully implemented. In the area of social inclusiveness, a total of 259 FUGs comprising 60 women groups, 131 widow groups, 40 youth groups, 27 physical challenged groups and one group for people living with HIV/AIDS were assisted [8].

Economic growth is the increase in the amount of the goods and services produced by an economy over time. It is conventionally measured as the percent rate of increase in real gross domestic product, or real GDP. Growth is usually calculated in real terms, i.e. inflation-adjusted terms, in order to net out the effect of inflation on the price of the goods and services produced. In economics, economic growth or economic growth theory typically refers to growth of potential output, i.e., production at full employment, which is caused by growth in aggregate demand or observed output [5].

To enhance the provision of the support services in all parts of the country, government established the Agricultural Development Projects in all state of the federation and established the National Fadama 111 Development Project. With the growth in the number of government agricultural development programmes, one expected meaningful agricultural output growth, positive change in farm sizes and general development in the sector over time [9].

In order to solve the problem of Fadama 111 development project financing so as to boost socio-economic development of Bayelsa State especially in the rural areas. The capacity of economic growth in

Bayelsa State would be significantly enhanced through the provision of Fadama 111 Project Financing that will enable farmers start, expand and modernize their farming activities and be self reliant, self employed, generate adequate income and investment.

### **Statement of the Problem**

Most state governments have constantly emphasized that Fadama 111 Project credit is highly important and necessary. All State governments have come up with their own version of support services. In this regard, the Government of Bayelsa State had introduced schemes, programmes and institutions aimed at boosting agricultural production among the rural dwellers for economic development through Fadama 111 Project. These measures could not achieve the intended objectives because, agriculture being labour and capital intensive venture requires adequate financing. The study is challenged with the problem of ascertaining the impact of total Fadama 111 Project loan facilities to agriculture on the level of Nigerian economic growth, considering the positive and negative impact.

Therefore, the study is faced with the problem of ascertaining the effect of counterpart contribution of Fadama by Ebonyi State on the growth of Ebonyi State economy. Secondly, the study is faced with the problem of ascertaining how the counterpart contribution by LGAs in Ebonyi State affects the level of socio-economic development in Ebonyi State. However, the challenge on how to establish the link between National Fadama 111 Development Project financing on the growth and development of socio-economic development of Ebonyi State, considering the continues development in the National Fadama 111 Development Project in Ebonyi State calls for the study.

### **Objectives of the Study**

The main objective of this study is to examine the impact of National Fadama 111 Development Project Financing on the socio-economic growth of Bayelsa State in Nigeria. Specifically, the study sought to achieve the following objectives:

- i. To determine the impact of counterpart contribution by Ebonyi State on the socio-economic growth of Ebonyi State.
- ii. To ascertain the impact of counterpart contribution by LGAs in Ebonyi State on the socio-economic growth of Ebonyi State.

## **REVIEW OF RELATED LITERATURE**

### **Theoretical Framework**

This study is anchored on financial intermediation theory and collective action theory which link with economic growth.

**Theory of Financial Intermediation:** Credit is an important aspect of financial intermediation that provides funds to those economic entities that can put them into the most productive use. Theoretical studies have established the relationship that exists between financial intermediation and economic growth. For instance, Schumpeter[10], Goldsmith[11], McKinnon[12] and Shaw[13], in their studies, strongly emphasized the role of financial intermediation in economic growth. In the same vein, Greenwood and Jovanovich[14] observed that financial development can lead to rapid growth. In a related study, Bencivenga and Smith[15] explained that development of banks and efficient financial intermediation contributes to economic growth by channeling savings to high productive activities and reduction of liquidity risks. They therefore concluded that financial intermediation leads to growth. Based on this assertion, this study examines the extent to which intermediation or credit to agricultural sector of the economy has influenced economic growth in Nigeria through Fadama 111 Project.

**Collective Action Theory:** The collective action theory was first published by Mancur Olson in 1965. He argues that any group of individuals attempting to provide a public good has troubles to do so efficiently. On the one hand individuals have incentives to "free-ride" on the efforts of others in certain groups and on the other hand the size of a group is of high importance and difficult to optimally determine.

### Empirical Review

In Nigeria, Fadama 111 Project has for long been identified as a major input in the development of the agricultural sector. Agwu and Abah[16] used multistage sampling to investigate the attitude of farmers toward cost-sharing in the second National Fadama Development Project in Kogi State of Nigeria. It was discovered that the majority of the farmers had favorable attitude toward cost-sharing of the fadama 11 implementation and monitoring activities were very low except in the areas of financial management, maintenance of fadama investment and proffering conflict mitigation measures.

Ugwumba and Okechukwu[17] examined the performance of Fadama 111 user groups crop farmers at mid-term in Southeast Nigeria using descriptive statistics and ordinary least square multiple regression analyses. The study found that distance to market, farm size, extension visits and productive resources significantly influenced income while education, age, availability of several infrastructure, family size, gender and farming experience were not significant. Ajayi and Nwalieji[18] studied the impact of the Anambra State Fadama Project Phase 1 on the socio-economic life of

the rural farmers using t-test and chi-square statistics. The study indicates that telfaria and okra production were most preferred to other vegetable during dry and wet season because of their high income generating capacity high market demand, high yielding capacity and usefulness and readily availability to the family.

Olaolu, Akinagbe and Agber[19] in a study of the impact of National Fadama Development Project Phase (11) on poverty and food security among rice farming beneficiaries in Kogi State in Nigeria using descriptive statistics. The study found that Fadama project had an appreciable impact on poverty reduction of the farmers by a change in the poverty incidence by 66.8% and 96% change in the poverty depth.

### METHODOLOGY

#### Strategies for Accomplishing Stated Objectives

The data that have been used for this study were collected through the secondary source. The data were generated from Ebonyi State Third National Fadama 111 Development Project Co-ordinating Office and various Academic Journals in related areas. The data that have been generated were analyzed and interpreted using relevant statistical formulations based on the objectives of the study. Objective of the study was tested with the use of content analysis.

### DISCUSSION OF EMPIRICAL REVIEW

A few studies have been conducted on the impact of Fadama 111 Development Project on rural dwellers in Nigeria. But their scope and analytical methods are different. None of the study reviewed study the impact of National Fadama 111 Development Project Financing on socio-economic growth of Bayelsa State.

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### CONCLUSION

This study examines the impact of National Fadama 111 Development Project Financing on socio-economic growth in Ebonyi State using content analysis. It was discovered that counterpart contribution by Ebonyi State government has significant effect on socio-economic development of Ebonyi State and that there is long run correlation between counterpart contribution by Local Government Areas of Ebonyi State and socio-economic development of the state.

The researcher concluded that by achieving stable counterpart contribution by state government and local government areas in Ebonyi state will be effective in improving socio-economic development of Ebonyi State. This means that National Fadama 111 Development Project Financing has made some appreciable socioeconomic impact on the economic development of Ebonyi State.

### RECOMMENDATIONS

Based on the findings of this study, the following recommendations are hereby proffered:

1. Introducing the principles of comparative advantage, by the provision of credit facilities to the comparative group in Ebonyi State, only for those businesses that earned them the highest income should be encouraged.
2. In addition, timely disbursement of funds, payment of counterpart funds, recruitment of more facilitators, and provision of logistic supports to the extension agents will ensure further improvement in earned income and programme sustainability.

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