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# INCLUSIVE GROWTH FOR SUSTAINABLE DEVELOPMENT: THE ROLE OF LOCAL *'ADASHI'* AS FINANCING AGENTS IN AGRICULTURE IN NASARAWA STATE

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## ABSTRACT

*This paper takes a look at the role of 'adashi' a local financing arrangement for small farm holders to access necessary finance in promoting agricultural productivity in the process of attaining sustainable growth and development. It adopts descriptive statistics and a utility maximization function to evaluate the extent of inclusive growth through the impact of 'adashi' in promoting financial inclusion for growth. In spite of several government pronounced programs on agricultural financing, access to credit through stringent regulations and bureaucracy are impediments to most rural farmers who lack collateral. This is against the background of the fact that lack of access to basic inputs and needed finance is hampering effective involvement of farmers in expanding their productivity. Results from the study reveals that there is low financial inclusion in most rural areas due to the total or near absence of formal financial institutions thereby playing an insignificant role in promoting agricultural productivity. On the other hand, 'adashi' is reported to have significant impact on farmers' productivity where they exist due to its liberal conditions and ease of accessibility, it therefore has the potential to alleviate poverty and promote inclusive and sustainable development. The study believes that in the absence of bank financing, these local 'adashi' which are mostly community based can be promoted and supported to expand their scope in providing finance for small farmers. This will create greater opportunities for increased employment and ensure inclusive growth towards sustainable development.*

***Key words:*** *Adashi, Inclusive growth, financial inclusion, utility maximization, sustainable development*

## INTRODUCTION

The pursuit of pro-poor economic policies by nations of the world such as inclusive growth has taken centre stage in the effort of the global community towards eliminating the incidence of poverty and attaining sustainable development goals of the United Nations. For Nigeria, the preponderance of agricultural opportunities and land resources hold an important critical promise in providing for the attainment of pro-poor induced economic growth. Given the massive land area that the nation has, several water ways, favourable climate and the labour force needed to foster growth, there is no doubt that achieving inclusive and sustainable growth is feasible.

Broadly, inclusive growth is economic growth that creates opportunity for all segments of the population while distributing the dividends of increased prosperity, both in monetary and non-monetary terms fairly across society. It is intended to address the basic problems of most developing countries in which the target is to increase incomes, up employment opportunities, reduce the incidence of poverty, and create social safety nets that provides for the greatest numbers of members of society thus reducing or eliminating the incidence of poverty. This can be achieved through greater participation in the production process for a large segment of the population.

According to the United Nations (2014), international poverty line remains at the level where a vast majority still live on less than $1.25 per day and this is still worsening. This is because rising income inequality and lopsided distribution of such income as well as lack of access to the means of production that can raise income levels has become common place. In addition, growth and productivity have slowed while many of the world's citizens face decreased access to the means of production and this has accentuated further inequality, heightened poverty incidence thus creating general insecurity.

In spite of the concerted effort made by the World Bank and different countries, inequality is growing as the benefits of economic growth go only to the richest members of society. This is why even as nations grow, the incidence of poverty has not reduced leading to growing numbers being pushed further into abject poverty.No wonder then that there is no bigger policy challenge that preoccupies leaders such as expanding social participation in the process and benefits of economic growth through inclusive growth. This is why the pursuit of inclusive growth has gained currency over time and assumed the prime attention of nations. It is widely believed that by scholars that sustainable economic growth requires inclusive growth. The objective of this paper is to analyze the impact of local financing through the practice of ***'adashi'*** in farmer inclusion in agricultural productivity in the process of economic development due to its ease of accessibility. Studies by Takeshima, Liverpool-Tasie (2013) suggests that targeting input provision to farmers is poor aside from the several leakages that exist which means that policy intervention has only further created conditions for inequality. This type of failure leaves the farmer at the mercy of the middle man whose ultimate desire is maximum profit. The absence of studies that focuses on some informal sources of financing for micro businesses and especially agriculture largely informed this effort. The ***'adashi'*** scheme is a local financial arrangement controlled by members of the community who make contribution and disbursements to those in needs on the basis of known collateral of those borrowing that can be used to take care of default. Rising inequality in earnings and in wealth has become a major concern for governments and individuals across the globe. This is because it is driving several people into practices that threatens life and endangers security of the human race. In just about every area, whether it is education, life expectancy, or employment prospects, success is determined by the socio-economic status, wealth and assets, sex, age or the places where people live. Both governments and businesses have a central role in promoting inclusive growth as job creators, providers of training and skills, investors in physical and knowledge-based capital and through diffusion of their products and services to previously marginalized groups. While firms are increasingly recognizing their role in reducing inequalities, governments are helping shape policy and regulatory environments. Inclusive Growth is all about changing the rules so that more people can contribute to and benefit from economic growth. Pursuing and maintaining sustainable growth is sometimes difficult because economic growth may give rise to negative externalities, such as a rise in corruption which is a major problem or concern in developing countries. There is also the desire of public corporations and even small firms to be driven into pursuit of excess profit thus neglecting the pursuit of economic activities that targets the participation of the majority. This process emphases inclusiveness especially in equality of opportunity such as access to markets, resources, and an unbiased regulatory environment which is an essential ingredient of successful growth. The inclusive growth approach towards poverty reduction takes a longer-term perspective, as the focus is on productive employment as a means of increasing the incomes of the poor and excluded groups thus raising their standards of living.

## LITERATURE

Achieving inclusive growth has gained academic, social and political currency over the last two decades due to its capacity in reducing the scourge of poverty and ensuring sustainable development. Rapid and sustained poverty reduction requires inclusive growth that allows people to contribute to and benefit from the dividends of economic growth. Defining inclusive growth incidentally has been a challenge as various individuals, institutions and organizations have adopted different approaches towards its description and the parameters to be used. According to Ianchovichina and Lundstrom (2008), the pace of growth is unquestionably necessary for substantial poverty reduction, but for this growth to be sustainable in the long run, it should be *broad-based* across sectors, and *inclusive* of the large part of the country's labor force. Around the world, no bigger policy challenge preoccupies leaders than expanding social participation in the process and benefits of economic growth.

According to the OECD (2014), Inclusive growth is economic growth that creates opportunity for all segments of the population and distributes the dividends or the benefits of increased prosperity, both in monetary and non-monetary terms, fairly across society. Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society. This concept of inclusive growth expands upon traditional economic growth models to include focus on the equity to health care, human capital and skill development, environmental quality, social protection and food security. Ali and Son (2007) see inclusive growth not only as new economic opportunities, but also equal access to the opportunities created for all segments of the society to partake in the process.

Although inclusive growth may mean many different things to many different people, at the heart of inclusive growth are the desire of governments, individuals, institutions, agencies and development experts to address the following variables: The incidence of poverty, inequality, growth, increased employment opportunities, increased and wide access to the means of productive resources, targeted policies, basic social services, greater participation, good governance reduced barriers to investments and increased benefits of the proceeds of growth for a greater majority of the populace. On the other hand, the World Bank (2009), Anand et al (2014) define inclusive growth as growth which has the pace and pattern to sufficiently lift a vast majority of the people out of the scourge of poverty. This means that a growing proportion of the population have access to the means of productive resources which generates income to enhance the quality of life. CAFOD (2014) regards inclusive growth as those measures that reduce poverty, reduce inequality, increase incomes, help the extremely marginalized and increased the rate of participation for the people. The international Development Policy Centre for inclusive growth (IPC-IG) discusses inclusive growth by focusing on the extent of participation of the labour force in the growth process which ensures that they not only actively participate but share in the benefit that come there from. The African Development Bank (AfDB) believes that any effort aimed at tackling the incidence of discrimination where groups hitherto denied access to the means of production are increasingly engaged and involved in the process of growth is inclusive growth. Individuals such as Birds all (2007), Ramos et al (2013) inclusive growth must go beyond the pro-poor by increasing the size and economic strata of the middle which he believes drive the engine of growth faster.The above descriptions stem from the fact that poverty and living standards have not improved in Asia and the Pacific, where more than 544 million people in Asia and the Pacific still live on less than $1.25 a day. This is because this vast majority of people lack access to the means of production or are being left behind or left out which can lift them out of poverty.

Inclusive growth focuses on growth that is necessary and critical in addressing the incidence of poverty and is long term in perspective which also means that it must be sustained to guarantee its benefits are widespread. For such growth to be sustained in the long run, it must engage and involve a large segment of the populace, structurally transforming the economic landscape and pursuing diversification of the domestic economy. Generally speaking, inclusive growth focuses on productive employment rather on just income re-distribution, increased pace and deep rooted pattern of the production process, openness and market driven while the government provides the enabling atmosphere for its success. The Commission on Growth and Development (2008) notes that inclusive growth encompasses equity, equality of opportunity, and protection in market and employment transitions and is an essential ingredient of any successful growth strategy. The Commission strongly considers any systematic inequality of opportunity "toxic" as it will derail the growth process through political channels or conflict.

To address these issues, governments could use income distribution schemes to attenuate negative impacts on the poor of policies intended to jump start growth, but transfer schemes cannot be an answer in the long run and can be problematic also in the short run. Such income transfer schemes are often problematic in poor countries because they can impose significant burdens on already stretched budgets, and it is theoretically impossible to reduce poverty through redistribution in such countries where average income are already low. As reflected in some agreed measure of poverty by (Ravallion and Chen, 2003) for growth to be inclusive, productivity must be improved and new employment opportunities created. In short, inclusive growth is about raising the pace of growth and enlarging the size of the economy, while leveling the playing field for investment and increasing productive employment opportunities. Theoretically, there are supply and demand side factors that determine and influence inclusive growth. On the supply side, banks are traditionally expected to provide the needed financial muscle to needy consumers who then deploy such for optimum productivity. The constraints of this source of financing rests on two major factors; the first is the inability of those in need of finance to meet the conditions that the financial institutions require in the form of collaterals. The second has to do with the tendency of the finance houses to attempt to minimize the risk factors associated with lending to people who may be unable to repay. On the demand side, farmers have to self-finance their fund requirements where there are supply constraints through personal savings, sale of assets or other forms of internal sources. These sources of financing is confounded by poverty levels, low income or unequal distribution of income that can provide for savings and the absence or near absence of institutions that are willing to take the risk to lend.

Financial inclusion which is described as a state where financial services are made available to their consumers especially the private sector operators that can use them without hindrance, in specific terms financial services available to as many who are in need. As Kama and Adigun, (2013) indicate, financial inclusion has become an important critical source of development finance in the quest of nations to overcome its constraints. Its main focus is that members of society can access a wide range of banking services without difficulty. This enables them plan their economic activities so as to optimize returns to their investments while minimizing loses.

## Empirical Literature Review

A number of body of literature reveals that poverty can be significantly reduced if the rate and extend of economic growth is high and wide spread. This means that not only is the size of the 'cake' bake large but the several people participate in the process of baking it and also share in its eating. Authors such as Kraay (2003), Ravalion (2001) and Bourguignon (2003), Dollar and Kraay (2002), White and Anderson (2001) document that the process of expanding economic growth can lead to poverty reduction both in the short and long ruin especially if the process is sustained and inclusive. In another sense, Lopez and Servén (2004) suggest that for a given inequality level, the poorer the country is, the more important is the growth component in explaining poverty reduction. Moreover, asset inequality rather than income inequality may matter for growth outcomes. Deininger and Squire (1998) use land distribution as a proxy for asset inequality and show that high asset inequality has a significant negative effect on growth. Controlling for initial asset inequality, Birdsall and Londono (1997) show that income inequality does not seem to play a role in expanding growth outcomes.

Traditional economic theories championed by scholars such as Kuznets (1955) had opined that equity in growth is a natural outcome of the process if such growth that occurs after a certain period. However, it does seem obvious that with time that the benefit of growth was not being distributed equitably leading to a declining welfare for the people. This was the result of the operation of strict market forces that only reward those with the means of production. Situation where individuals who had no access to the means of production and for no fault of theirs were excluded from sharing in the benefit of the process further pauperizing them. This resulted into a situation where while nations were growing, they were not developing through an expansion in the social welfare of the people as wealth got concentrated in the hands of only a few. To ensure both an expansion and widespread benefits of social welfare, those who participate in the process of productivity must be as many to ensure they bake a large piece of cake and share in its benefits or outcome. This is what inclusive growth entails. Ianchovichina and Lundstrom (2008) believe that for growth to be **inclusive** a large part of the country's labor force must have equal opportunities, where inclusiveness refers to equality of opportunity in terms of access to markets, resources and unbiased regulatory environment for businesses and individuals. For most developing countries, lack of access to the means of production especially capital remains the greatest challenge to the promotion of inclusive growth in spite of its advantages in poverty reduction. In a number of instances the mass of the people are unable to provide the needed collateral to secure financial resources from the formal sector and therefore resort to self-help such as sale off their assets and farm produce at give-away prices to access such services.

## Features of the 'Adashi' Micro credit Financing

They may have different names such as '***Asusu', Adashi, or 'Bam'***, their modus operandi are however the same in which individuals make contribution of pre-determined amount at regular intervals to a common pool of resources which is then lent out to each member. The practice of the ***adashi*** micro credit has become widespread and extensive in Nasarawa State recently due largely to the collapse of several commercial banks and other formal micro credit institutions due their inability to meet the minimum capital requirement of regulatory authorities and this is not peculiar to the State. Their creation and development have two theorems:

(i) *Financial repression theorem*-where individuals in the rural areas are unable to meet or break into the excessive and stringent lending conditions of the formal financial sector or markets.

(ii) *Structuralist theorem*: Where individuals resort to self-help through social programs. The resort to the informal sector is premised on the structuralist argument where the credit lending activities of actors are intended to serve social goals rather than for profit making, they are often the consequence of social rather than for pure economic pursuits. This is not to suggest that they do not charge interest, but such interest are only for administration and to defray the cost of operation while providing incentive for further and future contributions. Although they are largely unregulated and unrecorded but very legitimate financial outlets which take place outside the modern financial system, they nonetheless serve the purpose of providing needed finance for small scale economic activities. Economic transformation is important for sustained, broad-based growth as it allows economies to catch up by sustaining high growth rates over extended periods of time (Romer 1990, Aghion and Howitt 1992, Aghion *et al.* 2005). Empirical evidence shows that not a single country has been able to achieve significant income growth and poverty reduction without structural transformation and economic diversification (Imbs and Wacziarg, 2003). For low income countries and countries with small domestic markets, structural transformation implies export diversification as access to foreign markets enables countries to realize economies of scale (Hausmann, Hwang and Rodrik 2007). The HRV framework also abstracts from conditions affecting the ability of individuals to engage productively and contribute to economic transformation

## Theoretical Framework

Scholars discuss three main frameworks in their analysis of inclusive growth. These are the social opportunity function and the utility maximization function, while the third is financial inclusion. Each has its strengths and draw backs depending on the availability of data and the focus of the study.

**The Social Opportunity Function**: The social opportunity function focuses on the opportunities that are available which can be accessed with ease ranging from health, education, markets and job opportunities. In the context of this study, such opportunities are seen as access to agro and agro-allied inputs that can enhance productivity. The driving intensions of the social opportunity function are two-fold: one is to re-distribute access to these basic social services in favour of the poor and targeted at the poorest of members of society. These social opportunities function as defined by Ali and Son (2007) is given as: $\boldsymbol{\Theta} = \boldsymbol{\Theta}\ (y_1, y_2 y_3 \ldots yn) = \boldsymbol{\Theta}\ (\bar{\mathbf{Y}}, \bar{\mathbf{E}})$ where the y are the opportunities associated with n individuals. If $\Theta$ is the social opportunity function, while $i^{th}$ represents the opportunity enjoyed by a person in the population with income $x_1, y_1$ is said to be the binary value that range between 0 and 100. Most government policies are driven by the desire to promote greater social opportunities for the people and this has been pronounced in Nigeria over the years.

The second is transfer of opportunity from richer person to the poor in such manner that the ultimate desire is to increase the social welfare of the poor and this is done without necessarily reducing the welfare of the rich. Income re-distribution programs of government in Nigeria are extremely few and almost insignificant in addressing income inequality that can lead to greater inclusion in the growth process. This is why the incidence of poverty has remained endemic as reported by the United Nations (2014) where the headcount measure index of international poverty line still remains at US$1.25 per day and this has serious negative implication for inclusive growth.

**The Utility Maximization Function**: It basic foundational framework draws from the typical utility maximization of the average consumer whose ultimate objective is to maximize satisfaction given resource constraints. Its link to this study is that farmers desire to optimize farm profits subject to such constraints as availability of factor inputs, family size and the price of their products in the market as well as capital which they need to inject into the production process. Each of these factors will affect the level of profit that the farmer can get while his desire is to maximize returns from his farm effort. Access to farm inputs, profits and capital are quite extraneous to the farmer and beyond his immediate control. Where income levels are already low leading to poor savings and the distribution of income is skewed against the poor, it will affect their capacity to produce. Put against the failure of the formal financial sector to meet the immediate needs of these small farm holders, the only source of income for these poor people will be borrowing from other informal sources.

In the utility maximization function, it is assumed that the farmer has a well behaved production function given well stated constraints such as the level of technology; such a production is an increasing function with respect to output levels and a decreasing function with respect to inputs levels. The objective of the farmer is to maximize output subject to the constraints of factors that he cannot control such as weather, available land, farm inputs and other socioeconomic variables. According to Udozi and Omotola (2015), given the vector of x inputs or variables and the level of technology z, if the price of the products is given asp, the farmer will maximize profit as follows:

$\boldsymbol{\pi} = \mathbf{max}_x \{ \ (x\ldots\ldots z)\}$- $wx$

The solution to the optimization problem in this case lies in the quantity of inputs demand of the farmer given as(**x = (p, w, z)** and the output produced and supplied( **q =q ( p,w w, z**). The farmer will choose his optimal input mix listed as x.....z purchased and set against his cost of production (**wx** thus maximizing profit given the state of technology. The choice of the inputs to be purchased is however dependent upon his financial capacity which is limited by his capital, past savings, easy access to micro credit or support from family members and the extent of social network available to him

***Financial inclusion***: This study adopts the financial inclusion model in determining the impact of '***adashi'*** in promoting inclusive growth. In this context, inclusive growth depends of three factors: (i) income growth, (ii) income distribution and (iii) access to '***adashi'*** services. It is hypothesized that farmers have easy access to '***adashi'*** services in the near absence of formal financial services offered by micro credit firms due to its liberal terms and ease of accessibility and this can raise their incomes. Kraay (2004) reports that growth in incomes explains about 70 per cent of variation in poverty rates indicating that where individuals have access to income enhancing services, it enables them reduce the incidence of poverty through greater participation in productive activities. Such greater participation promotes economic growth.

## METHODOLOGY AND MODEL SPECIFICATION

The study drew a sample of five hundred and seventy four respondents based on the spread of the three senatorial districts of the state through a field survey. The sample was drawn using information provided by the State ministry of Commerce where the adashi exits and is operational. This was after an appropriate ethical consideration permit was sort and granted by the ministry. The study used a probity estimation framework to arrive at its conclusions. To

capture the impact of the influence of '***adashi***' financial services on farm productivity in promoting inclusive growth, an aggregate model is used to determine whether micro credit borrowing from banks, capital base,and support from family sources, and access to ***adashi*** services or past savings is more growth enhancing. By exploiting the variations in access to these services over time, an attempt is made to uncover the characteristics associated with the stronger element in inclusive growth. The study follows closely that proposed by Ravallion (2008) which attempted to show the relative growth-poverty reduction relatedness in an inclusive growth process, with some slight modifications. The model's functional form is cast as follows: $\log F = \Phi_0(X_1, X_2, X_3, X_4, X_5, X_6)$
Where: $\log F$ stands for financial inclusion, $\Phi_0$ stands for the growth enhancing coefficient, $X_1$ stands for access to bank micro credit, $X_2$ stands for capital base, $X_3$ stands for support from family members, $X_4$ stands for the variable '***adashi***', $X_5$ stands for social network available and $X_6$ stands for educational attainment of the respondents. For ease of estimation, the functional form of the mode is recast in log form as follows:
$\log F = \Phi_0 + \log(X_1) + \log(X_2) + \log(X_3) + \log(X_4) + \log(X_5) + \log(X_6) + \varepsilon$ the error term $\varepsilon$ describes the stochastic disturbance term to capture the influence of other variables not captured by the model. The log model became necessary due to the unique characteristics of some of the variables used such a social network available and educational attainment that cannot were not quantitative in nature. Some of these variables were necessitated by the need to assess if the social fabric of society had any impact on participation in the contributive nature of adashi while education was to assess whether beneficiaries could appropriately apply the funds in the most profitable manner. Each of these variables is believed to have its unique impact on the level of financial inclusion of the farmers that enables them to raise their level of productivity by accessing farm inputs both in the short and long run.. The long run impact of this access to financial inclusion is boosted by their ability to apply the funds accessed and utilized in production and marketing of the products rather than engage in unprofitable ventures. Where poverty is rampant, limited resources are often committed towards family up-keep at the expense of increasing the capital base of the farmers through savings.

## RESULTS OF STUDY

The result of the study is presented below for discussion based on the probit model adopted it. This model best fits studies of this nature given the data and variables used and estimated for the study

Dependent Variable: Y
Method: ML - Binary Logit (Quadratic hill climbing)
Date: 02/07/18 Time: 03:07
Sample: 573

Included observations: 563
Convergence achieved after 8 iterations
WARNING: Singular covariance - coefficients are not unique
Covariance matrix computed using second derivatives

| Variable | Coefficient | Std. Error | z-Statistic | Prob. |
|---|---|---|---|---|
| C | 0.839053 | 0.474814 | 0.242306 | 0.000000 |
| X1 | -0.003167 | 3.501140 | -0.240460 | 0.000000 |
| X2 | -0.009612 | 9.929353 | -2.115829 | 0.000041 |
| X3 | 1.563407 | 176143.2 | -3.456302 | 0.000000 |
| X4 | 1.403406 | 19571.47 | -4.372601 | 0.000000 |
| X5 | 0.192933 | 4.484697 | -0.237612 | 0.000000 |
| X6 | -0.015491 | 0.765476 | -0.342517 | 0.041685 |

| | | | |
|---|---|---|---|
| McFadden R-squared | 0.632076 | Mean dependent var | 0.669627 |
| S.D. dependent var | 0.470766 | S.E. of regression | 0.466785 |
| Akaike info criterion | 1.253051 | Sum squared resid | 121.1460 |
| Schwarz criterion | 1.306928 | Log likelihood | -345.7338 |
| Hannan-Quinn criter. | 1.274084 | Deviance | 691.4677 |
| Restr. deviance | 714.3822 | Restr. log likelihood | -357.1911 |
| LR statistic | 22.91454 | Avg. log likelihood | -0.614092 |
| Prob(LR statistic) | 0.000826 | | |
| Obs with Dep=0 | 186 | Total obs | 563 |
| Obs with Dep=1 | 377 | | |

**Source: Authors computation using (E-views 9)**

What is obvious from the result presented above is that $X_1$ and $X_2$ carry negative signs and they each stand for access to bank micro credit and capital base of the farmers. The indication from this result is that lack of access to micro credit and poor capital base has significant negative impact on financial inclusion for the farmers which denies them the opportunity to purchase needed farm inputs. These variables are quite significant in their non-supportive role in promoting financial inclusion. In societies where access to the means of production can only be through the markets especially in economies driven by competitiveness and monopoly power, only those who can compete or have absolute monopoly power will thrive. The variables for family support and access to ***adashi*** represented by $X_3$ and $X_4$ have positive signs indicating that they spur financial inclusion positively granting farmers' greater access to the needed farm inputs. This is likely to enable them purchase needed inputs and be able to pay for other service farm services to increase productivity in the process. Though quite significant in their impact on financial inclusion, they are weak considering their probability values, nonetheless, they can generate substantial multiple effects of impact.

The implication is that where there is greater access to finance offered by '***adashi***' farmer can increase their farm holdings. On the other hand $X_5$ which represents the social network of the society has a weak but positive and significant relationship with inclusive growth indicating that where access to the financial resources available to members are absent, social network can offer some reasonable but limited support. This limited support is premised on the level of per capita income of members who can participate more vigorously in the '***adashi***' scheme thus creating a greater pool of resources that can be accessed by those in need. On the other hand $X_6$ has a negative in-significant relationship with financial inclusion, however one needs to point out that where the level of education is low and it can negatively affect the individuals' ability to optimally utilize the resources to support productivity. Studies have revealed that the levels of literacy of the people have remained low leading low human capital development and this has affected the capacity of such individuals to improve their skills necessary for productive economic participation.
'Adashi' outfit mostly trade on instruments that are carefully tailored to provide financial intermediation that outside the purview of the formal monetary sector. Often, they lend to small scale investors, for financing consumption of individuals and other social needs, interest charged depends on the relationship between the lender and borrower. Credit advanced is to increase production or for sale of goods, purchase of assets for re- sale and often for agricultural activities. Several scholars are agreed that the main instrument for a sustainable and inclusive growth is assumed to be productive employment while employment growth generates new jobs and income for the individual - from wages in all types of firms, or from self-employment, usually in micro firms. Productivity growth on the other hand has the potential to lift the wages of those employed and the returns to the self-employed. The ability of individuals to be productively employed depends on the opportunities to make full use of available resources as the economy evolves over time. The above can be attained through transforming the process of economic opportunities available to individuals. Where opportunities available to individuals to raise capital becomes constrained creating bottlenecks, options must be explored to accommodate those excluded from the fair distributions of resources to participate so as to widen the base of productivity. This is where local financing outlets can fit in the financial chain. The above is premised on the fact that due to financing constraints by the formal banking sector especially for small and medium enterprises, low incomes, low

savings, the incidence of poverty amongst those at the lower rung of the income ladder has been increasing. This situation seem not to be abating as in most of these countries, people have not seen their incomes rise for years. The gap between the rich and poor has widened, with those at the top capturing the 'lion's share' of the benefits of growth.Not only is rising income inequality, lope sided income distribution and social instability bad for business, it has led to an erosion of the private sector's "licence to operate" in society and endangers the society as a whole.

## CONCLUSION AND RECOMMENDATION

In spite of the overwhelming evidence from studies that inclusive growth has the potential to significantly reduce the incidence of poverty and that access to development finance can help promote this, this study finds that micro credit from regular financial institutions is hard to access. The implication is that the poor will continue to be poorer in the absence of such support. Across the length and breadth of Nasarawa State, there is the clear absence of micro credit outlets let alone commercial banks to finance the needs of these small farm holders. The study also finds that ***'adashi'*** has the potential to significantly raise the level of financial support for small farm holders especially where their practice and acceptance is widespread.

Even if government policies are deliberately tilted in favour of the small farmers to provide such funds, the absence of such institutions can effectively compound this situation. In specific terms, several local government areas do not have a commercial bank located in their headquarters. This is added to the fact that many rural communities are far removed from the centre where such financial institutions are located. Small farmers can only rely on personal funding sources, sale of their assets or depend upon other forms of finance such as family inheritance or the local '***adashi***' to have the resources they need. The other dark side of this situation is that farmers have to trade-off the bulk of their produce for critical farm inputs such as improved seeds, herbicides and fertilizers most often at giveaway rates that cannot sustain their livelihood let alone generate income for further productive activities. There is the need to encourage and promote the activities of these 'micro' financing agents by appropriate regular and support. The level of poverty prevalent in society today threatens to exclude many people. According to Ali and Son (2007), the rising levels and endemic rates of poverty are largely created by the incidence of income inequalities which results from lack of access to the means of production. Inclusive growth especially for the pro-poor has emerged amongst scholars lately due to its tendency to lift a large proportion of the population out of the scourge of poverty. Such growth can be effectively promoted through access to financial resources to those in dire need especially in the rural areas. Where there is financial repression due to the stringent conditions, access to farm inputs is hampered thus limiting the capacity and ability of small farm holders to expand productivity.

Using a utility maximization framework, the study reveals that where local financing options are available such as *adashi,* financial exclusion can be minimized. This opens the opportunities for financial inclusion that can raise the level of productivity by farmers where the services are available. The limitations here however is that due to low incomes, even if the services of ***adashi*** is unavailable to a large segment of those in need since it is a contributory scheme. In specific terms, the study reveals that access to micro credit through the formal financial institutions declined from 43.5 per cent in 2014 to 31.82 per cent in 2016. The implication is that farmers who rely on bank micro credit will have less access to farm inputs hence be less productivity. On the other hand ***adashi*** services through financial disbursement increased from 28.15 per cent in 2014 to 39.45 per cent in 2016. The only snag here is that the amount disbursed through the scheme was far less than that done by the formal financial institutions. Given the high cost of farm inputs and other related services, such sums can hamper large scale production thus limiting the competitive edge which these farmers need to reach larger markets.

The average opportunity for farmer's access to micro credit was 48.1 per cent in 2014 declining to 34.2 per cent in 2016. The social opportunity through access to ***adashi*** credit services rose from 32. 25 per cent in 2014 to 44.15 per cent in 2016. These values indicate that social opportunity reflects a more equitable distribution of financial services through ***adashi*** than that provided by the formal financial institutions. One can therefore safely infer that social opportunity that comes through informal financial services such as ***adashi*** has a greater tendency to generate financial inclusion. This will enable farmers to expand their activities and raise productivity thus enlarging opportunities for greater income generation that can lift them out of poverty. As revealed by results from the study, only small income holders participate in the ***adashi*** scheme through their contribution. This limits the amount and size of the capital base and thus the amount they can borrow. In order to provide greater access to this service, public policies can be tilted towards supporting such schemes through raising their capital base. This can be done by funding their take off while designing careful monitoring steps so as to ensure full pay back after a period of stability. This will guarantee that a great proportion of the rural poor gain access to needed capital to support their productive activities.

The National Bureau of Statistics reports that poverty is still wide spread in Nigeria as in many other nations, to ensure inclusive and sustainable growth, the mass of the people must be targeted through financial support. Although several government stated programes on micro financing options for agriculture are available, the financial crisis that has engulfed the sector since the 2008 global crisis thus raising their risk level in financing informal activities has created further hiccups for small holdings. Added to this is the growing lack of confidence on the part of these micro finance institutions or their not-living up to expectation. This is in spite of the fact that functional financial inclusion has the potential of alleviating poverty levels Due to the low literacy level of the average farmer and the cumbersomeness in the process of accessing formal financing through micro-credit, other informal sources come in readily. This is the place of the '***adashi***' out-fit to complement the process of financing agriculture in Nasarawa State. The absence of such mass rural financing for agriculture will entail that poverty incidence will be heightened which is clearly evident in Nigeria land. The World Bank (2017) already has reported that Nigeria will be the global headquarters of poverty by the year 2018 and beyond overtaking India in the process.

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