

## Access to Credits by Rural Coastal Dwellers through Microfinancing: A Key to Tourism and Recreational Fisheries Development in Nigeria

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### ABSTRACT

*This paper examined the immense potential of the coastal areas of Nigeria in tourism and recreational fisheries (an untapped area of fisheries). The major constraint to the development of tourism with recreational fisheries was funding and restricted access to formalized sources of credit by the rural coastal populace due to illiteracy and badly implemented government policies on rural banking. If funds are channeled towards rural enterprises in recreational fisheries and ecotourism, there would be more infrastructural facilities in the industry, which would lead to an unprecedented boost. The review paper was able to lead us to highlight potential small-scale business activities in the coastal areas of Nigeria under a well developed tourism/recreational fisheries business and the means by which the activities were carried out. As laudable as the idea of financing tourism and recreational fisheries development through micro finance loans is, the number of existing micro-finance banks are not enough to sustain a massive rural dweller participation that could offer a high yield of development of the tourism industry. Nevertheless, it is of great necessity that efforts be geared towards actualizing the idea of financing micro-finance loans to rural dwellers to provide room for a forward movement development. There is a need for training and sensitization of the rural dwellers through holistic and unified extension services and public relations. The government needs to create a more enabling environment in terms of soft and hard infrastructures that could promote tourism and recreational fisheries in the coastal areas especially at the period of crude oil doom. Government should have the political will to implement rural banking policy by setting up more micro finance institutions in the rural coastal communities, most of which have beautiful beaches and other tourism destinations.*

**Keywords:** *Microfinance, credit, tourism, infrastructure, rural-dwellers, coastal, recreational, fisheries.*

### INTRODUCTION

The fact that Nigeria has a rich and diverse ichthyofauna resources and tourism destination sites cannot be over amplified. The coastal communities in the maritime States of Nigeria like Lagos, Rivers, Cross River, Akwa Ibom and others can boast of beautiful beaches and waterfalls that are worthy of being classified as amazing destination sites in the World. These are yet untapped sources of foreign exchange. Bolarinwa and Fasakin (2009) reported on the tourism potential of Lagos State regarded as a 'State of aquatic splendor. The importance of recreational fishing and tourism in Nigeria was

emphasized by Ogundana and Bolarinwa (2012). Roberts (1996) described tourism as being the greatest endowment bestowed unto the hands of men by God but Nigerian leaders either by commission or omission had strangled the sector by lack of financial back up over the decades.

One of the objectives of fisheries apart from production of cheap source of animal protein, industrial by-products, ornamentation is recreational fisheries. The particular sector has been neglected. Production for consumption through artisanal fisheries and aquaculture are mostly practiced (FAO, 2012; Balogun, 2015). There is therefore a need to fish for pastime and

investment as practiced in most parts of Europe and the United States of America. The current crash in the price of crude oil calls for serious diversification into other non-oil sector of Nigerian economy.

However, as laudable as tourism and fisheries are, they have always been faced by lack of funding. Policies formulated towards the development of these sectors are poorly implemented. Access to credit by the rural illiterate populace is so restricted. Past workers like Williams (2006). Omitoyin and Fregene (2008) and Kaka (2011) reported the low standard of living among the artisanal fisher folks living in the coastal areas of Nigeria. Poor access to credit cuts across all the coastal areas of Nigeria coupled with inadequacy of infrastructural facilities. This is in spite of the fact that the artisanal fisheries subsector is the major contributor to the domestic fish output in the country.

According to Bolarinwa (2014), majority of the fisher folks in the coastal waters had no access to credit from public and private organizations probably due to low literacy level and lack of awareness. Majority of the artisans depended on thrift (esusu), friends and family members while negligible percentage of them had access to bank loans. This situation calls for urgent governmental intervention in the area of rural banking that could facilitate concessionary credit facilities to fisher folks of Nigerian coastal waters. There is an urgent need for establishment of formalized sources of funds like microfinance institutions and International fund agencies. This would ensure equity in financing small-scale artisans at concessionary rate.

### **HISTORICAL REVIEW OF MICRO FINANCING IN NIGERIA**

Ogundana and Bolarinwa (2012) reported that microfinance banking is a new entrant into the terrain of modern business financing procedures in Nigeria. It is evident that this new order came with a unique or perhaps unconditional ways to loaning customers under relaxed conditionalities. One could not but remember that the era of People's Bank of Nigeria motivated by General Ibrahim Babangida in 1985. This evolved into community banking and the present-day microfinance banking system. The Federal Government under the Military President Ibrahim Babangida saw the inauguration of small-scale loan schemes for

small-scale participation in economic development efforts by the less privileged, hence the establishment of People's Banks of Nigeria (PBN). The effort was a giant stride and became a spring board for the present microfinance practice. Unfortunately, the programme collapsed due to poor management, poor social values of Nigerians who see government loans as their own share of national cake apart from erratic and inconsistent policies of subsequent governments (Bolarinwa,2011; Kaka, 2011).

Before the above advents, individual participation in tourism development and promotion had been non-existent, therefore, the way the banks could be brought into financing tourism and recreational fisheries projects became impracticable as private participation in tourism was not popular. Entrepreneurs never focused on tourism as a potential foreign exchange earner until of recent because of the dependence on crude oil. Despite the multitudinal tourist destination sites in Nigeria, recreational fisheries and tourism were neglected even by the government who should have provided the enabling environment in the coastal areas of the country ( Mambula,2002; Bolarinwa and Fasakin, 2009).

Isaac (2000) observed the non committal will of the various governments in Nigeria as being responsible for the low participation in business tourism and recreational fisheries. This shows that past governments have not been fully committed to developing recreational fisheries/tourism by formulating and implementing policies that could encourage the industry. It is also glaring that Nigeria has under invested in infrastructural funding (Sogunro and Bolarinwa, 2018).

Jacobson and Robles(1998) said" Tourism is the greatest endowment bestowed unto our hands by God but Nigeria leaders by both acts of commission and omission had strangulated the sector by lack of financial back-up over the decades".

The World Travel and Tour Council (2010) Report says "Tourism is the largest industry in the World. Travel and Tourism is maintaining employment growth rate of 2.45%. It possesses the capability to generate more as it forges into the future"

In this paper, a historical review of rural banking starting from the era of People's Bank

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of Nigeria' to the era of microfinance banking in Nigeria would be done. Definition and principles of microfinancing would be enumerated as well as the potentials of tourism and recreational fisheries. The various challenges and constraints facing the industries would be highlighted apart from their technical and economic worthwhileness in the coastal rural areas of Nigeria before recommendations are made.

### DEFINITIONS AND PRINCIPLES OF MICROFINANCING

Microfinance Bank is a relatively new entrant into the terrain of business financing in Nigeria which came with a unique and concessionary way of granting loans to low-networth customers. The term 'microfinance' is a compound word that has compound meaning. As finance can be referred to as a way of providing funds for general economic activities, microfinance could be referred to as a system of executing such economic financing by small or bit-by-bit method in the manner of issuing financial assistance to entrepreneurs in form of loans repayable over time with relaxed conditionalities. However, this is a way of cushioning the effect of harsh conditionalities peculiar to conventional banks in obtaining loan facilities. Through microfinance organizations, one could obtain loans at friendly interest rate. Many businesses in Nigeria had suffered serious setback as a result of lack or restricted access to credits from formalized sources of credit, hence the stagnation in small-scale businesses especially in tourism and fisheries endeavours (Tailant, 1998; Laeven and Laeven, 2009; )

Ogundana and Bolarinwa (2012) reported low access to credits as being a major challenge to development of recreational fisheries and tourism in Nigeria). In Lagos State, a State of 'aquatic splendour' and a major tourist destination has just realized the immense potential in recreational fisheries/tourism in the coastal areas of Lagos State, hence the recent aggressive policy of Governor Ambode to intervene in form of provision of funds and infrastructural facilities.

Babale (2003) also reported that the practice of microfinance is culturally rooted and prehistoric dating back several centuries and identified the major problem facing the fishing industry to be finance. Problems handicapping access to credit by artisanal fisher folks include inadequate

information, lack or inadequacy of collateral, lack of resource information since there are no accurate information about available resources of our territorial waters, dearth of skilled manpower. All these listed problems are disincentives to long-term investment in fisheries. There is an urgent need for improved basic rural infrastructures (like road, health centers, electricity, potable water supply, communications, marketing infrastructure, improved information especially about the resource status of our waters, human resource development and research).

### ASCERTAINING ECONOMIC/PROFITABILITY OF INVESTING IN TOURISM

Ascertaining economic profitability of investing in tourism is a good measure that can aid finance organizations in loan ventures. The question is: Is Nigeria so much endowed with tourist resources that can encourage large-scale individual participation? And if the answer is Yes: Is there available market to consume tourist's product at a large scale? However, if the above questions could guarantee positive response, then it is a worthwhile endeavour, investing in tourism.

Falade (2000) reported that developers have tapped into solid areas of tourist attractions in Nigeria which should create basis for viable tourist investment. It is a fact that almost all the thirty-six states in Nigeria have attractive tourist attractions that the great resources imbedded in them are yet untapped. (Ogundana and Bolarinwa, 2011).

World Tourism (2004) separated that developing tourism in Nigeria through financial institutions demands that the government must make discretionary financial policy decisions that will expose entrepreneurs to making money in tourism sector. W.T.O. figures statistics over the years revealed 90 million international travelers in 1963 (a year after N.T.A. was established) with international tourist receipts of USD 9 million. The volume by 1988 rose to 390 million tourists with USD 195 million in receipts. The figures are indicative of a positive return on any venture in tourism due to its geometrical growth.

W.T.O. tourist receipt figure shows that tourists' arrival alone is not enough. Efforts should be made to encourage tourist to spend much on incidentals which includes, souvenirs and this is

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the area where rural businesses participation in tourism could be guaranteed.

### IDENTIFYING BANKABLE INVESTMENT OPPORTUNITIES IN TOURISM/RECREATIONAL FISHERIES

As micro loan is meant to be, it is only designed to provide little amount of money that can be used to sustain traders who practice small scale businesses. In the light of the above, the following areas are viable for investment within the scope of microfinance loan.

#### Investment Prospects for Rural Dwellers Include the Following

- Heritage/cultural Tourism Resources development of slave trade relics.
- Establishment of museums and preservation of monuments.
- Wild life tourism resources.
- Development of hiking trails and jeep tracks in the national parks.
- Development of picnic and camping sites at strategic locations within the trail circuit system in the national parks.
- Building of tourist lodges.
- Building of resort centers as a natural/physical attractions.
- Provision of cable bus system to take tourists through the very rugged but scenic terrain of the mountains especially in Kanyang, Obudu and Mambilla plateau.
- Construction of lodge cabins for expeditions, tourists and rangers.
- Establishment of hotels and resorts near waterfalls, springs, caves and temperate climate areas such as Obudu, Jos and Mambilla plateau.
- Building of canoes for regatta and fishing expeditions.
- Building of local swimming pools.
- Building and construction of local games and sports.
- Brewing and selling of local drinks (both alcoholic and non-alcoholic).
- Beach tourism potentials, establishment of boating and sport fishing facilities.
- Development of water transportation and provision of educational facilities for water skiing and swimming.
- Development of recreational fish ponds and fountains.
- Establishment of holiday resorts along the coasts.

- Development of amusement parks, entertainment facilities and shopping facilities and shopping services.
- Designing of arts and crafts which constitute symbol of the people's cultural values and love for nature.
- Tour office management.

### VIABILITY OF LOAN REPAYMENT

Loan repayment strategy in microfinance business financing; efforts is quite elastic in risk. It is obvious that the risk can be sustaining considering the fact that the collateral is in existence. This is enormously risky in spite of the fact that the nominal value of the loan is meant to be small but the aggregate value will surely be colossal. Considering the above, a finance organization must weigh the risks involved before dispensing funds, but in a broader sense, the normal loaning methodology and procedure that have always been applied to other business sectors can as well work in the case of tourism. Sachs and Larrain (2006) said "Strategy failure is the bane of loan repayment in business and is equally the undoing of success in enterprise". If the submission is anything relevant, then the strategy required to recoup the loan should be sharper in the circumstances surrounding micro-credit finance operations (Caprio et al, 2007; Chaochharia and Laeven, 2009). However, the concern now is how any dispensed fund into tourism enterprise can be recouped. In addition to finance institution standard operation of loan recovery, the organization needs to mount up efforts to participate in the tourism business operation by providing not only supervision but monitoring because of the wide scope of tourist market which may make monitoring a necessity (Christian, 1997; Mambula, 2002; Nwokoro, 2002; Cornet et al, 2009 ). Furthermore, the only surety of loan repayment is the availability of diverse tourist products in a wide market in which the tempo is under total operation of rural dwellers. A financial boost to them will instigate a fast moving business interaction. Apart from accommodation that needs huge investment, all other provisions at destination sites by rural dwellers which include arts and artifacts souvenirs, security, fun, food, drinks, local snacks, entertainment require moderate and reasonable financial support. Kara and Benzing (2007) said "the bulk of tourism business empowerment is in the negligible rural products that thrill and amaze foreign visitors".(



White,1993; Kisunko and Water,1999; Vivanco, 2002).

### **TOURISM INCENTIVES**

The provisions in the 1990 National Tourism Policy was also to enhance private sector participation. In order to boost the level of private sector investment in tourism, it is treated by government as a preferred sector like agriculture. Government has also introduced such incentives as tax rebate and soft loans, with long period of grace to potential investors in tourism. Nigeria is blessed with a lot of tourist destination sites in rural areas that for decades have been a visiting point of teeming leisure seekers from across the globe like the Obudu Mountain Resort, Idanre Hills, Olumo Rocks, Victoria island and Badagry Bar Beaches/ Slave Exit Point of no Return, Ikogosi Warm Spring, Erin Ijesha Waterfalls, Yankari Games Reserve, Osun Osogbo Festival, Esie Museum, Yankari Games Village, Sheri Hills, Jos, Borgu National Park, Oke Agbonna Cave and Aladunwo Masquerade of Okemesi-Ekiti and many others.

### **IDENTIFYING THE LIMITING FACTORS**

Financing tourism by any means has been faced with a lot of impediments since ages long in Nigeria due to some factors that can be traced to lack of awareness, government insensitivity, lack of pushful policies, traditional injunctions, poor social values and so on (Kamauro,1996; Kigundu, 2002).

Falade (2000) opined that the resultant effect of oil boom in Nigeria promoted the neglect of tourism development by the government. This opinion is totally in agreement with the reason on budget surplus that characterized government finance in the early 1970s. Government believed oil boom may continue for life, hence the neglect of tourism as a money spinning venture.

However, the early Nigerians practiced recreation primitively and even till today recreation with tourism is yet to gain or capture the awareness of people in a civilized way (Wight,1993; Bolarinwa, 2002). Vivanco (2002) opined that “tourism should be propagated at the level of intergovernmental relationship flow, as government is the closest to the people both at local and higher levels of human endeavour”. The above writer simply means that it is only the government that can spice up tourism promotion before it could be attractive to all and sundries.

### **COMPARING THE OLDER ORDER WITH THE PRESENT – CONDITIONALITY PRACTICE**

The first short loan practice came to Nigeria in 1989 in form of People’s Bank of Nigeria. The retinue of others followed suit few years after the likes of questionable finance outfits such as Forum Finance Home, Transmission Finance Home, Fidelity Finance Limited based in Lagos and Nwana Nwana Wonder Bank in Port-Harcourt (Alfred, 2006; CBN, 2011).

However, the unprecedented happened to all as they fizzled into oblivion leaving many investors in tears after losing their deposits. There was also a high debtor’s default due to debtors not paying up their loans as at when due in the genuine finance houses (Alfred, 2006).

Brown and Caylor (2006) reported that financial policy of soft loan is alien to ethical practice in banking and public finance. It can be self-sustaining if there is attitudinal change among Nigerians, most of whom believe government loans should not be paid back. The loans are considered their own share of the National cake. Thorough supervision and monitoring of disbursed loans would reduce rate of default. There is therefore a need for more aggressive rural banking policy. Loans should be extended to rural dwellers which can use it to develop tourism in their own small way.

### **CONCLUSION AND RECOMMENDATIONS**

The above submission exposed a lot of grey areas in soft loan business financing in Nigeria. Part of the discovery is that the canker worm that caused the eroding of the old order is still in existence. The situation therefore calls for government intervention in the area of infrastructural development especially in the coastal areas to enable rural dwellers to tap the underutilized resources of the coast. Policies that could accelerate tourism and recreational fisheries development should be strictly implemented and monitored. It is obvious that the nation has been under investing in infrastructure over the years. There is therefore a need for Private Sector Participation in view of the dwindling economic proceeds. The authors also recommended a more aggressive rural banking policy that could encourage the micro finance operators to extend widely their tentacles of business propaganda, promotion, strategies and customer drive to rural coastal areas/dwellers for the purpose of investing in tourism and recreational fisheries development.

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