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## ACCESS TO CREDIT FACILITIES AMONG ARABLE CROP FARMERS IN IDO LOCAL GOVERNMENT AREA, OYO STATE

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### ABSTRACT

*Many farmers have hardly been able to meet the farm expenditure due to lack of financial command and potential. Therefore, access to credit facilities among arable crop farmers in Ido Local Government Area of Oyo State was investigated. Multi-stage sampling procedure was used to select 104 respondents for the study. Data were collected through the use of questionnaire on socio-economic characteristics, means of credit awareness, access to credit facilities, utilization of credit and constraint facing in getting access to credit facilities. Data were analyzed using descriptive statistics of frequency count, percentage, mean and charts and multiple linear regression for the objectives while Spearman correlation were used to analyzed the hypothesis. The results revealed that most of the respondents 81.7% was male, 54.8% were between the ages of 41-50 years, majority of the farmers were married and 33.7% had adult education. The results also revealed that the major means of credit facilities on awareness obtained from the study area was from friends, 92.3% heard about the credit awareness, 81.7% had their source of credit facilities by personal saving and majority of the farmers utilized their credit through planting materials. Spearman correlation coefficient showed that there were significant differences at  $p < 0.05$  by the respondents in the study area. Some problems hindering the access to credit facilities in the study area were amount required, period of payment, lack of collateral etc. The study recommends that government should set up financial institutions to provide fund to interested farmers at subsidized rate and easy period of payment.*

**Keywords:** Access, Credit Facilities, Credit awareness, Utilization of Credit, Arable Crop Farmers.

### INTRODUCTION

Agriculture in Nigeria is practiced at subsistent level and is characterized by numerous farmers operating several scattered small and fragmented plots of land using traditional methods such as land rotation, bush burning and crude implements. According to Olawepo, (2010), the majority of the rural populace in Nigeria either depends entirely on farming and farming activities for survival and generation of income, or depends on other non-farming activities to supplement their main sources of income. Over 90% of the country's local food production comes from small scale farms. About 60% of the population earns their living from these

small farms which are usually of the size of about 0.10-5.99 hectares (Olawepo, 2010).

Credit has done a thousand times more to enrich mankind than the gold mines in the world. However, mere recognition of credit as a condition for agricultural growth is not sufficient to guarantee increase in agricultural productivity and farm income. Modernizing agriculture requires large infusion of credit to finance the use of purchased inputs such as fertilizers, improved seeds varieties, herbicides, insecticides, animal feeds, and additional labour among others. In this regard, the provision of agricultural credit can be a powerful economic tool for development, if used to inject appropriate capital for the purchase of agricultural

inputs that are not otherwise available to farmers from their own financial, physical and labour resources. Access to affordable agricultural credit enables farmers, who constitute the majority of population in most developing countries, to adopt new technology and take advantage of new economic opportunities to increase production and income.

The principal function of credit is to transfer resources from those who have and don't use them to those who don't have and wish to use them, this is done using different avenues e.g. granting of loans by banks and MFI's to individuals who plan to initiate or expand a business venture or agricultural production.

According to Mutua and Oyugi (2005), interest in access to finance has increased significantly in recent years, as growing evidence suggests that lack of access to credit prevents lower-income households and small firms from financing high return investment projects, having an adverse effect on growth and poverty alleviation. Utilization of credit for agricultural purposes promotes productivity and consequently improved food security status of a community. It is against this backdrop that this research investigated the Access to Credit facilities among Arable Crop farmers in Ido Local Government Area, Oyo State. The objective this study was to investigate access to credit facilities among arable crop farmers in Ido Local Government Area, Oyo State.

## **MATERIALS AND METHODS**

### **Study area**

The study was carried out in Ido local government area in Oyo state, Nigeria. Its headquarters is in the Ido town. It has an area of 986 km<sup>2</sup> and a population of 103,261 at the 2006 census. It shares boundaries with Oluyole, Ibarapa East, Akinyele, Ibadan South West and Ibadan North West Local Government in Ogun State. On the account of extensive fertile soil, which is suitable for agriculture, the basic occupation for the people is farming. There are larger hectares of grassland which are suitable for animal rearing, vast forest

reserves and rivers. People in the area grow varieties of cash crop such as cocoa, kola nut, palm oil, timber and food crops such as maize, rice, and various type of vegetable. The area is also suitable for wide range of edible fruits.

### **Sampling Procedure and Sample size**

Multi stage sampling techniques was used. First, purposively 40% of the Ward that predominantly in crop farmers in Ido Local Government was selected. Second, list of registered crop farmer were collected from Agricultural Department in Ido Local Government Areas of Oyo State. Third, 40% of registered crop farmers were randomly selected from each Ward, and gives a total of one hundred and seven (107) which were administered and one hundred and four (104) copies of questionnaire was retrieved and used as sample size of the study.

### **Analysis of data**

Data collected were subjected to descriptive and inferential statistical analysis using statistical package for the social science (SPSS). Descriptive statistical tools used included frequency counts, mean and percentage while inferential statistical used is multiple linear regressions used to determined access to credit facilities by the farmer.

## **RESULTS**

Table 1 showed that male 81.7% respondents are more predominant among respondents than female 18.3%, with age range 41 – 50 years of 54.8% followed by 31 – 40 years (23.1%) and majority of them are married (76.9%), majorly the religion of the respondents were to be Christian (49.0%) and Islam (47.1%) and their level of education of the respondents with majority had adult education (33.7%) and secondary (26.0%) and the respondents had farming experience ranging from 11 – 15 years (49.0%).

**Table 1: Socio Economics Characteristics of the Respondents in the Study Area.**

<b>Variables</b>	<b>Frequency</b>	<b>Percentage (%)</b>
<b>Sex</b>		
Male	85	81.7
Female	19	18.3
<b>Age</b>		
Less 30	12	11.5
31-40	24	23.1
41-50	57	54.8
51 and above	11	10.6
<b>Marital status</b>		
Single	13	12.5
Married	80	76.9
Divorce	4	3.8
Widowed	7	6.7
<b>Religion</b>		
Christianity	51	49.0
Islamic	49	47.1
Traditional	4	3.8
<b>Level of education</b>		
Adult	35	33.7
No formal	17	16.3
Primary	10	9.6
Secondary	27	26.0
Tertiary	15	14.4
<b>Farming experience (years)</b>		
Less than 10	26	25.0
11-15	51	49.0
16-20	25	24.1
Above 20	2	1.9
<b>Total</b>	<b>104</b>	<b>100.0</b>

Table 2 revealed that majority of the respondents had access to credit facilities available by Co-operative 83.7%, Personal saving (81.7%), Friend/Relatives/Age grade (63.5%), Bank of

Agriculture (56.7%) and Money lender/Esusu (52.9%) with only agricultural credit (60.6%) not available as credit facilities to the respondents in the study area.

**Table 2: Access to Credit Facilities by the Respondents in the Study Area.**

<b>Credit source</b>	<b>Available</b>	<b>Not available</b>	<b>T- test</b>	<b>Significant</b>
Friend/Relatives/Age grade	66(63.5%)	38(36.5%)	28.777	0.000
Money lender/Esusu	55(52.9%)	49(47.1%)	29.911	0.000
Bank of Agriculture	59(56.7%)	45(43.3%)	29.348	0.000
Agricultural credit	41(39.4%)	63(60.6%)	33.348	0.000
Personal saving	85(81.7%)	19(18.3%)	31.063	0.000
Co-operative	87(83.7%)	17(16.3%)	31.932	0.000
Bank	51(49.0%)	53(51.0%)	30.648	0.000

Table 3 showed that the factors that determine the access to loan by respondents with Period of payment and amount required having coefficients of

0.460 and 0.459 respectively and both are highly significant in the study area.

**Table 3: Factor that Determine the Access to Loan by the Farmers.**

Variable	Coefficients	Std error	T-value	Sig	Decision
Constant	0.878	0.320	2.743	0.000	
Amount required	0.459	0.093	3.251	0.002**	S
Lack of guarantor	0.291	0.136	1.895	0.061	NS
Period of payment	0.460	0.149	2.855	0.010**	S
Lack of collateral	0.013	0.109	0.098	0.922	NS
Formalities involved	0.112	0.109	0.098	0.450	NS

$R^2=0.871$  Adjust  $R^2=0.488$

Table 4 revealed the result of correlation coefficient for the relationship between socio-economic characteristics of the respondents and access to credit facilities among the respondents. The results showed that there are significant differences at

$p<0.05$  between sex and amount required (- 0.237); education and amount required (- 0.240); age and lack of guarantor (0.215); age and period of payment (0.243).

**Table 4: Spearman correlation coefficient for the relationship between socio-economic characteristics of the respondents and access of credit facilities**

Variable	Sex	Age	Marital status	Religion	Education
Amount required	-0.237*	0.115	0.139	0.085	-0.240*
Lack of guarantor	0.063	0.215*	-0.046	0.047	0.125
Period of payment	0.014	0.243*	-0.117	-0.178	0.008
Lack of collateral	0.029	0.067	-0.072	-0.068	-0.066
Formalities involved	0.043	0.139	0.015	0.048	0.105

## DISCUSSION

Results in Table 1 revealed that majority of farmers (81.7%) were male within the age range of (41-50 years). This implies that male farmers dominate arable crop production in the study area. The age of the respondents is important factors that affect their level of production and overall coping ability within the business. Age is believed to influence the level of physical work and the willingness to pay back loan. The result of analysis showed that the highest percentage 76.9% of respondents are married, the results showed that the married people were more than the single in the study area and might be connected with the fact that married people have more advantages of family labour than the single. These findings of the study are supported by Jibowo (2000) that high percentages of rural population are married. The result further shows that 33.7% of arable crop farmers had adult education which

constitute the highest number of respondent were educated. The implication of the findings is that majority of the farmers are not well educated. Swanson (2008) said that education enables farmers to make informal decision regarding production and marketing and also managing their lives successfully to cope with everyday problems and to realize their opportunity. The result also indicated that 49.0% of the farmers had over 11-15 years of farming experience.

The results of analysis in Table 2 revealed that majority of the respondent had available access to credit facilities through 83.7% co-operative, 81.7% personal saving, 63.5% Friends/Relatives/Age grade, 56.7%. Bank of Agriculture, 52.9% Money lender/Esusu, 49.0% Bank and 39.4% got access through Agricultural credit. According to (Ijere and Okorie 1998), credit in the hand of crop farmers

will enable them to reap the economics of scale, discover new and better products, create demand where non-existed and provide utilities to satisfy a widening market. Therefore, access to credit facilities by the respondents would enhance their crop productivities likewise their standard of living.

Table 3 showed the factors that determine the loan distributed to the farmers. Amount required and period of payment were factors that significantly influenced access to credit in the study area. The positive value of these factors implies that the higher amount required and the longer the period of payment the more the volume of loan disbursed, this is in agreement with earlier work by (Ayanlere and Mohammed 2002).

Table 4 showed Spearman correlation coefficient for the relationship between socio-economic characteristics of the respondents and access to credit facilities among the respondents. The results showed that there are significant differences at  $p < 0.05$  between sex and amount required; age and

lack of guarantor; age and period of payment. The implication of these results is that the variables affect access to the credits on those items. The results further showed that there is positive relationship between age and lack of guarantor but negative relationship between education level of respondents and amount required.

## CONCLUSION AND RECOMMENDATIONS

Based on the empirical finding of this study, the following were drawn; the study revealed that most of the respondents were male and they are in their active age range (41-50 years), majority of the respondents were also married and had low education background. Amount required and period of payment were factors that significantly influenced access to credit in the study area. It is therefore recommended that Government should set up financial institutions to provide fund to interested farmers at subsidized rate and easy period of payment.

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