Credit Accessibility By Maize Farmers In Ido Local Government, Oyo State, Nigeria

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Abstract: Credit accessibility by farmers is an important factor in agricultural development with positive impacts on agricultural production and incomes of small farmers. It is one of the factors that break poverty cycle in agriculture. In Ido Local Government of Oyo State, it is of importance to examine maize farmers' access to credit and to also investigate their sources of credit and their perceptions. The constraints faced by the farmers in accessing credit, the solutions and the factors that determine their accessibility so as to improve their access. Sixty farmers were randomly selected from three communities: Omi-Adio, Akufo and Apete in Ido Local Government and data collected were analyzed using descriptive statistical tools and The results of the findings show that 30 percent of the farmers in the study area obtain loan through informal mean, 90 percent of the farmers had high interest rate as a constraint or challenge of accessing credit. 86.7 percent of the farmers believed that credit accessibility is a process of empowering farmers. 78.3 percent of the farmers proffer the repayment of the same amount borrowed as the solution to the constraint while age, gender and household size are the factors determining access to credit in the study area. The logistic regression results indicate that, the marginal effects of age and household size were statistically significant with positive effects on access to credit financial services while gender was also significant with negative effect on access to credit financial services. Moreover, this project concludes with implication for policy to establish credit/loans offices close to farmers in order to reduce lending procedures, risks and educate them on perceptions on loan repayment so as to encourage the farmers about agricultural loan.

Keywords: Credit Accessibility, Ido Local Government, Maize Farmers, Gender, Age, Household.

I. INTRODUCTION

Agricultural credit enhances productivity and promotes standard of living by breaking vicious cycle of poverty among maize farmers. Adegeye and Dettoh (1985) described agricultural credit as the process of obtaining control over the use of money, goods and services in the present in exchange for a promise to repay at a future date. Imoudo and Onaksaponome (1992) contended that agricultural loan is a crucial input in smallholder agriculture because it enables small-scale farmer to establish and expand their farms, as this would increase their income and ability to repay loan.The crucial role of credit in agricultural production and development can also be appraised from the perspective of the quality of problems emanating from the lack of it. In modern farming business in Nigeria, provision of agricultural credit is not enough but its efficient use has become an important factor in the increase of productivity. Credit has also been discovered to be a major constraint on the intensification of both large-scale and small-scale farming (Von-Pischke, 1991). The role of agricultural credit in the agricultural development of a country cannot be over emphasized. One of the reasons

for the decline in the contributions of agriculture to the economy is lack of a virile formal national credit policy and paucity of credit institutions, which can assist farmers (Olagunju and Ajiboye, 2010). Credit (capital) is viewed as more than just other resources such as labour, land, equipment and raw materials (Rahji, 2000).

Maize is an agricultural produce that fetch farmers good income, therefore, youths with little resources can easily go into maize cultivation. It requires considerable starting capital, low risk, and has a great propensity for relatively higher return on investment compared to other crops. Several uses of maize make it a hotcake not only in Nigeria but also worldwide. It has great alternative uses either for humans or animals. Maize is consumed fresh by humans, either by boiling or roasting. Animal feeds production requires maize as the main energy source. Fifty-two thousand (52,000) cobs of maize could be harvested on one hectare of land, and the average price at the farm gate per cob is ten naira (N10). The minimum amount realizable from a well cultivated hectare of land is five hundred and twenty thousand naira only (N520,000). Production cost includes about forty-five thousand naira (N45,000) for land preparation and planting; fifteen thousand naira (N15,000) for seeds; fifteen thousand naira (N15,000) for planting; ten thousand naira (N10,000) for herbicides; forty thousand naira (N40,000) for fertilizers and thirty thousand naira (N30,000) for other expenses. A farmer may go home with almost four hundred thousand (N400,000) profit margin or more in three months, all things being equal, (The Guardians, 2018.).

There is need for large cultivation of maize which requires capital in form of credit (loan) to the farmers to meet the demand for maize supply, this seems challenging and impossible due to credit (loan) inaccessibility by the farmer. The constraints and change in operational mechanisms from past rural credit program in the country point to the need to redesign or improve delivery mechanism to minimize barriers of small-scale farmers to credit. This study is to describe the socio-economic characteristics of the farmers, to identify sources of credit to the farmer and determine the farmers' perception about credit facility and constraints to credit accessibility. To determine the solution to the problem of credit accessibility and analyze the factors that determine the maize farmers' accessibility to credit services in the study area. This study is necessary in the study area because Eboreime (1999) found that the provision of financial capital to rural maize farmers actually led to output growth and increase in gross incomes. He further observed that the trend can effectively checkmate poverty as increased income is expected to generate increased saving, investment, capital formation and eventually bring about increased productivity.

II. MATERIALS AND METHODS

LOCATION OF THE STUDY

The study was carried out in Ido Local Government Area of Oyo State with her headquarters in Ido, it is one of the 33 Local Governments in the state. The communities visited for the research are Omi adio, Apete and Akufo because of the rate of farming activity in these areas. The target population was 60 farmers from the three communities.

Primary data was collected using questionnaires, which were administered with the help of a research assistant who helped the respondents in cases where a need for assistance arose. The secondary data was obtained through journals, textbooks, internet and other relevant sources.

DATA ANALYSIS

Data generated was analyzed using descriptive statistics using frequency distributions to measure and compare results. Information was presented using percentages, tables and charts. MS Excel, Statistical Package for the Social Sciences (SPSS) and Logit Regression Model to identify the factors that influence access to credit services among the maize farmers.

Logit Model Specification:

$$ACi = \log \frac{Pi}{1-Pi} = \beta o + \beta iXi + Ui$$

$$ACi = bo + X_1 + X_2 + X_3 + X_4 + X_5 + \mu$$

Where X(s) are the independents variables
ACi= Farmer ith Access to Credit
X_1=Age of farmers (years)
X_2=Gender (dummy)
X_3=Academic level (dummy)
X_4=Household size (Actual)
X_5=Average income (Naira)
μ=Error term
bo=Parameter estimated (constant)

The analysis was done to assess determinants of access to credit facilities for maize farmers in Omi adio, Apete and Akufo constituency.

III. RESULTS AND DISCUSSION

Variables	Frequency	Percentage (%)
Ages (Years)		
21 – 30	01	1.7
31 – 40	08	13.3
41 – 50	46	76.7
51 and above	05	8.3
Total	60	100
Gender		
Male	56	93.3
Female	04	6.7
Total	**60**	**100**
Years of Farming		
0 – 5	09	15
6 – 10	06	10
11 – 15	39	65
Above 15	06	10
Total	**60**	**100**
Educational Qualification		
No Formal Education	02	3.3
Primary Education	12	20
Secondary Education	36	60
Tertiary Education	08	13.3
Adult Education	02	3.3
Total	**60**	**100**
Religion		

Christian	27	45
Islam	27	45
Traditional	06	10
Total	**60**	**100**
Household Size		
03	02	3.3
04	11	18.3
05	15	25.0
06	20	33.3
07	12	20.0
Total	**60**	**100**

Source: Field Survey (2019)

Table 1: Respondents' demographic characteristics

Demographic Information shown on table 1 gives a general idea of the farmers and judge whether the appropriate persons were chosen for the study. The respondents' age shows that the farmers between the ages of 21- 30 years were 1.7% of the total respondents, 13.3% were between the ages of 31 – 40 years, 76.7% were between the ages of 41 - 50 while those above 51 years were 8.3%. This shows that the people between the ages of 41- 50 involved majorly in maize farming in these study areas. It was also established that 93.3% were male while 6.7% were female. This area being in a rural set up, majority of the communities here believe that farming is a male activity while female gender is mainly concerned with household affair. This concept explains why majority of the respondents were male.

Number of years the respondents have practiced farming helps to have a clear view and an idea that the respondents know too well about farming thus making it easy to get information from them. On table 1, it was shown that 15% had been in farming for less than 5 years, 10% between 6 to 10 years, 65% between 11 – 15 years and 10% for more than 15 years respectively. Considering that 65% of the respondents had practiced farming between 11 - 15 years, they were in a good position to give the reliable information to aid in the study. 3.3% had no formal education, 20% had primary education, the majority who were 60% of the respondents had secondary school education, 13.3% of the respondent had tertiary education while 3.3% had adult education. This result establishes that majority of the maize farmers in the study areas had a secondary school education, showing a level of formal education in rural farming. The percentage of the married respondents was 90% while the divorced was 8.3% and the widower was 1.7%. This implies that the majority of the respondents have dependents they had to take care.

Source of Finance	Frequency	Percentage
Friends	18	30.0
Relative	15	25.0
Neighbour	4	6.7
Banks	1	1.7
Lenders	5	8.3
Agric. Loan	17	28.3
Total	60	100.0

Source: Field Survey (2019)

Table 2: Source of credit

Table 2 shows that 30% of the farmers have their source of credit from friends, this implies that most of the farmers will have small scales of production and their ability to purchase needed input timely will be very low.

28.3% of the farmers get their credit from agricultural loan, 25% from the relatives, 8.3% from lenders, 6.7% from neighbours and 1.7% of the farmers have their loan from the banks. It could be deduced that majority of the farmers could not access their loan through agricultural loan but only depend on an informal credit access, which is through friends (30%). It was established that the credit was not always reliable and also very strict due to the problem of collateral often associated with it, yet some still go for it as seen on table 2.

	Frequency	Percentage
No	24	40
Yes	36	60
Total	60	100

Source: Field Survey (2019)

Table 3: Credit application rate

The study shows that 60% of the population of the farmers interviewed were at the time of the research interested in applying for the loan and 40% were not interested as shown in table 3. This may be due to the fact that they had been discouraged in the past by credit accessibility procedures like non-availability of collaterals, lack of required documents, long time process and so on.

	Frequency	Percentage
No	42	70
Yes	18	30
Total	60	100

Source: Field Survey (2019)

Table 4: Credit accessibility

Table 4 shows that among the 60 maize farmers in the study area, only 18 (30%) had access to financial credit services, while 42 (70%) did not have access to financial credit services. This shows that smallholder maize farming in the study area are not sufficiently funded given the low levels of access to credit financial credit services, which could otherwise have helped them to acquire new and appropriate farming technologies. In addition, this implies that the potential for improving the access to financial credit by maize farming households is immense.

Variables	Frequency (N = 60)	Percentage (%)
High Interest Rate		
Disagreed	3.0	5.0
Agreed	54.0	90.0
Strongly Agreed	3.0	5.0
Incurred previous loan		
Disagreed	3.0	5.0
Undecided	1.0	1.7
Agreed	49.0	81.7
Strongly Agreed	7.0	11.7
No collateral		
Disagreed	10.0	16.7
Undecided	3.0	5.0
Agreed	38.0	63.3
Strongly Agreed	9.0	15.0
Difficulty in document		
Disagreed	1.0	1.7
Strongly Disagreed	15.0	25.0

Undecided	8.0	13.3
Agreed	25.0	41.7
Strongly Agreed	11.0	18.3
Small amount given		
Disagreed	19.0	31.7
Undecided	8.0	13.3
Agree	31.0	51.7
Strongly Agreed	2.0	3.3
Insufficient income		
Disagreed	7.0	11.7
Undecided	1.0	1.7
Agreed	23.0	38.3
Strongly Agreed	29.0	48.3
Delay in approval of loan		
Disagreed	15.0	25.0
Undecided	8.0	13.3
Agreed	36.0	60.0
Strongly Disagreed	1.0	1.7

Source: Field Survey (2019)

Table 5: Farmers Constraints to Access Credit

Table 5 shows the challenges or constraints of the maize farmers' accessibility to loan in the study area according to the respondents include high interest rate (90%) followed by incurred previous loan or bad credit (81.7%) and no collaterals (63.3%) as shown on table 5.The farmers are made to dispose the farm produce at a very low prize that is not commensurate to their effort or labour because they want to meet up with the payment of the loan and even the interest. This eventually results to the farmers inability to pay back the loan or credit as at the stipulated agreed time, amounting to bad credit. This is corroborated by earlier report of Okojie *et al* (2010) and Anyanwu (2004) that one of the principal characteristics of credit is the higher interest rates. It increases the risk that the farmers have to bear. The farmer is made to pay to the last amount even when there are problems such as excessive rains or drought, outbreak of pest and diseases that may result in low yield or crop failure.

Variables	Frequency (N = 60)	Percentage (%)
Process of empowering farmers		
Disagreed	2.0	3.3
Agreed	52.0	86.7
Strongly Agreed	5.0	8.3
No Response	1.0	1.7
Method of exploitation		
Disagreed	1.0	1.7
Agreed	24.0	40.0
Strongly Agreed	34.0	56.7
No Response	1.0	1.7
Negotiating produce before farming		
Disagreed	7.0	11.7
Agreed	29.0	48.3
Strongly Agreed	24.0	40.0
Local banking system		
Disagreed	17.0	28.3
Undecided	9.0	15.0
Agreed	29.0	48.3

Strongly Agreed	4.0	6.7
No Response	1.0	1.7

Source: Field Survey (2019)

Table 6: Farmers Perceptions about Credit Facility

Table 6 shows the responses of the maize farmers in the study area based on their perception on credit accessibility. 86.7% agreed that it is a process of empowering the farmers, 56.7% strongly agreed that it is a method of exploitation, while 48.3% of the respondents agreed that it is a method of negotiating their farm produce before the commencement of the farming season. This confirms the report of Adesoji, *et al.* (2006) that fadama farmers should be strengthened so as to have access to loan as it is another way of empowering them.

Variables	Frequency (N = 60)	Percentage (%)
Repayment of same amount borrowed		
Disagreed	1.0	1.7
Agreed	47.0	78.3
Strongly Agreed	11.0	18.3
No Response	1.0	1.7
Government intervention and support		
Disagreed	2.0	3.3
Agreed	46.0	76.7
Strongly Agreed	11.0	18.3
No Response	1.0	1.7
Reducing the value of collaterals		
Disagreed	11.0	18.3
Agreed	34.0	56.7
Undecided	8.0	13.3
Strongly Agreed	5.0	8.3
No Response	2.0	3.3
Reducing the harsh process and conditions of loan		
Disagreed	5.0	8.3
Agreed	14.0	23.3
Undecided	2.0	3.3
Strongly Agreed	39.0	65.0

Source: Field Survey (2019)

Table 7: Solutions to the Problems of Credit Accessibility

The farmers in the study area were interviewed on the possible solutions to the challenges or constraints faced in accessing credit or loan, Table 7 shows that 78.3% suggested paying back the same amount borrowed, that is, loan without interest. Closely followed by 76.7% of the respondents asking for the government intervention and support. The major problem faced by the maize farmers necessitated the kind of prompt solution needed. The farmers majorly suggested that an interest-free loan will really be of help to them.

Variables	Coefficients	T-test	Significance
(Constant)	0.685	0.195	0.846
X_1 Age	3.627***	5.755	0.000
X_2 Gender	-5.247***	-4.102	0.000
X_3 Academic level	-0.688	-1.608	0.114
X_4 Household size	1.223***	4.150	0.000
X_5 Average income	0.133	0.278	0.782
R^2	0.61		

Source: Author Computation 2019
Note: (***) significant at 1% respectively
Table 8: Factors Determining Access to Credit by Farmers in the Study Area

The Regression table in logit form as shown on table 8, revealed that age of farmers and household size were significant at 1% respectively and had a positive relationship to the farmers' access to credit. These show that a unit increase in age of the farmer and household size out of the variables considered, that is, age, gender, academic level, household size and average income as shown in table 4.6 will increase the farmers chance to have access to credit.

In terms of age, the results were in agreement with Faturoti et al. (2006) who concluded that, farmers with more years have acquired more assets that can act as collateral to credit access for acquiring new farm technologies.

Another significant variable is gender; it was found to be significant at 1% but has a negative coefficient. This means that male farmers are associated with reduced levels of credit constraints compared to their female counterparts, this result being similar to that obtained by Omonona et al. (2010). They explain that male farmers' scale of production is higher than that of their female counterparts and hence are favoured by lenders in terms of credit allocation. R^2 was 0.61 indicating that 61% of the variables can be explained by the model specified while 39% could be explained by the error term.

IV. CONCLUSIONS

The study was conducted in the field of agricultural finance in developing areas of Ido Local Government with particular reference to small-scale maize farmers in Oyo State, Nigeria. It has opened up investigations into the source of credit and factors that determine the accessibility of maize farmers to credit. The results show that the farmers are gradually withdrawing from agricultural loan and are migrating to the use of loan from friends as their source of credit.

Based on the findings, it was concluded that financial literacy programs to familiarize smallholder farmers with the skills required to effectively understand, assess and utilize credit financial services to enhance their agricultural activity should be introduced, also government should encourage an interest-free credit or loan for small scale farmers to further enhance agricultural produce. In addition, majority of the farmers were not too eager to adopt new technology of mobile banking which can address the problem of distance to the market challenges. This was believed to be as a result of their

level of education. Finally, the establishment of credit offices close to farmers, operated by friendly officials would reduce lending procedures, risks and also educate them on perceptions of loan repayment which will encourage the farmers back to agricultural loan. Based on the findings from this project, it is recommended that in order to reduce credit constraint and increase productivity of farmers, there is the need for financial institutions and projects with credit component to target credit delivery to credit-constrained farmers. This can be achieved by developing a credit program with appropriate screening procedure. The government should develop and implement policies that would improve farmers' access to off-farm income-generating activities as well as increase their farm to reduce credit constraints, hence, increase the accessibility. In this regard, Agricultural Extension Officers working with farmers should be supportive to educate farmers and train them in off-farm income-generating activities.

In addition, formal financial institutions should adapt their savings and lending modalities to the needs of the farmers (i.e. making it less cumbersome). These financial institutions should develop innovative means to serve farmers who are in need of credit. Therefore, access to credit should be made more possible in any agricultural development programs in Oyo state

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