
Sources And Uses Of Agricultural Credit By Peasant Farmers In Plateau State, A Case Study Of Riyom Local Government Area

By

AGBA DOMINIC ZAAAN

*Centre For Continuing Education,
Department of Banking And Finance,
University of Jos. P.M.B 2084..Jos,
Plateau State.*

Abstract

Different techniques are used to boost the productivity of peasant farmers who dominate the agricultural sector in Nigeria. One of such techniques is the injection of credits into the sector so as to expand the farmers capital and hence their produce. This paper basically investigates the sources of credits for peasant farmers in Nigeria and the use to which these credits are put to. To achieve this, survey method of research was used and the multistage sampling technique was used followed by simple random technique to collect data using the instruments of questionnaire and personal interview to collect data from the farmers, simple percentages was used to analyse the data. The study on the overall found that not less than eighty percent of credit is sourced by farmers through informal sources. This shows that government despite the establishment of several credit institutions, no much impact is felt by the farmers. The study also found that majority of credits accessed are used to pay for labour, procurement of seedlings, herbicides, pesticides and fertilizer. The study therefore recommends a more rigorous mobilization of credits by all tiers of governments if the agricultural sector will help Nigeria out of poverty, unemployment and low standards of living

Introduction

Agriculture is the cultivation of land, raising and rearing of animals for the purpose of production of food for man, animals and raw materials for industries. It involves and comprises of crop production, livestock and forestry, fishery, processing and marketing of those agricultural products. Mabuza , Taeb, and Endo, (2008). The development of agriculture in Nigeria has been slow inspite of the various agricultural policies. Infact, the government recognized the unhealthy condition of Nigerian agricultural sector since 1970, and has formulated and introduced a number of programmes and strategies aimed at remedying this situation. These measures included the setting up of large-scale mechanized farms by state and federal governments, introduction of scheme such as the River Basin Development Authority.

~~Other~~ ~~measures~~ ~~include~~, National Accelerated Food Production (NAFP), Operation Feed the Nation (OFN), Green Revolution (GRP) and the Directorate for Food, Roads and Rural Infrastructure (Uniamikogbo, Enoma, 2001). In addition to these measures, financial measures such as the establishment of agricultural credit scheme were introduced by successive governments. In spite of these measures, the development of the agricultural sector has been slow and the impact of this sector on economic growth and development has been minimal. This slow growth of agricultural production has generated some issues, among them are, the role of agriculture in providing food for the population; its role in supplying adequate raw materials to a growing industrial sector, its role as a major source of foreign exchange earner. Agriculture belongs to the real sector of Nigerian economy, It is dominated by: small scale farmers all over the agricultural areas, with small holding ranging from 0.05 to 3.0 hectares per farm land, rudimentary farming systems, low capitalization and low yield per hectare. The roles of agriculture remain significant in the Nigeria economy despite the strategic importance of the oil sector.

Agricultural credit enhances productivity and promotes standard of living by breaking vicious cycle of poverty of peasant farmers. Adegeye and Ditto (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.

The crucial role of credit in agricultural production and development can be appraised from the perspective of the quantity of problems emanating from lack of it. In modern farming business in Nigeria, provision of agricultural credit is not enough but efficient use of such credit has become an important factor in order to increase productivity. It is in line with this that “the Federal Government of Nigeria has formulated various agricultural policies that have affected not only credit supply but also its dispensation” (Falusi, 1973).

Objectives of the Research

The objectives for which this study shall seek to achieve are as follows

- 1 To investigate the available sources of credits for peasant farmer in Riyom Local Government Area of Plateau State.
- 2 To study the various application of credits.
- 3 To investigate the obstacles peasant farmers face in accessing credit
- 4 To make recommendations that will help boost farmers productivity through access and use of credits in the study area.

Research Questions

This research is guided by the following questions.

- 1 What are the credits sources available to peasant farmers in Plateau state?
- 2 What are the uses for which credit is sought by peasant farmers in Plateau state.

Sources And Uses Of Agricultural Credit By Peasant Farmers In Plateau State, A Case Study Of Riyo What are the obstacles to agricultural credit for peasant farmers in Plateau state.

Literature Review

The decline in the contribution of agriculture to the Country's GDP overtime is due to the slower growth of the sector relative to other sectors of the economy and most especially commercial exploration of Petroleum (CON, 1997). It is partly because of this decline in the sector that the federal government of Nigeria introduced several programmes aimed at reconstructing or reforming the sector through the creation of appropriate institutions and public services designed to strengthen the economic position of the independent farmer and hence boost agricultural productivity in Nigeria. (Agba, 2007: 12)

The strategic importance of food is evident in its consideration as a key variable in matters relating to national security and in planning against disaster and other emergencies. However, a major indicator of depressed performance of the Nigerian agricultural sector is the food crisis experienced in the Country in the past years. Nigeria as a Country endowed with large expanse of fertile land with tremendous potential resources and favourable climate for producing food and other raw materials for export and domestic industries has not been self-sufficient in food production (Spore, 1993)

Credit is one of the crucial inputs that can bring about rapid increase in agricultural production. Credit and increase in agricultural production are assumed to have cause and effect relationship, and so, farmers produce is expected to increase when credit is made available to them.

Falusi (1973) studied factors that affect the demand for credit in Nigeria and concluded that the variables are governed by socio-economic factors, environmental factors, attitudes and values. He suggested that the demand for credit is a function of interest rate, return on investment, risk and accessibility to credit institutions.

In a study conducted by Aranjó (1967), the productivity of land, labour and capital of borrowers and non-borrowers were compared on a sample of farmers in Sao Paulo, Brazil. His findings include: Credit users were among the relatively high income group, and that credit use was associated with higher than average economic performance. In analysing the factors affecting demand for credit, he did not observe any significant impact of interest, outstanding debt, volume and new investment and levels of education, he however found that they were positively related to credit demand and that the demand for credit declined as the volume of internal funds increased.

Ogunfowora, Essang, Olayide(1972) reported that credit is not only needed for farming purposes, but also for family and consumption expenses; especially

~~During the~~ off season period. Credit has also been discovered to be a major constraint to the intensification of both large and small scale farming (Von- Pischke, 1986). The absence of rural banks or their unwillingness to meet credit need of farmers largely account for the wide influence of informal lending institutions upon agricultural production in rural areas. Abe (1982) reported that non- institutional creditors accounts for 70 % of the total credits received by Nigerian farming population. Adebayo and Adeola (2008), reported that a larger percentage of the small scale farmers depend on informal sources of credit for their farming activities.

In another study conducted by Adam and Neyman (1998), they observed that high borrowing cost discouraged many rural poor from using formal loans. Borrowing costs are defined as nominal interest payments, plus borrower loan transaction costs, plus changes in the purchasing power of money. "Farm level study in Bangladesh, Brazil and Columbia indicated that higher nominal interest rates might induce lenders to reduce overall borrowing costs for the small and new borrowers." (Adam and Neyman.1998).

A study was conducted among three types of farmers: the subsistence, family and commercial farmers. The findings indicated that the subsistence and commercial farmers were more responsive to credit incentive and that family farmers were usually non-users of credit. It was also revealed that family size and financial position were not as relevant obstacles in the use of credit as were personal and social conditions of the farmer himself (Francis,Reyes and Silva. 1998).

Research Method

Research Design

This study was based on farm level data on the uses and sources of credit among peasant food crop farmers in Riyom Local Government Area of Plateau State, Nigeria. The research used survey method to collect data for analyses, this method was preferred because the researcher collected data from a representative sample of the population of peasant food croppers in the study area mentioned above and subjected same to analyses. This is because literature has shown that the survey method of research is an effective tool in determining the opinions, attitudes, preferences and perceptions of respondents.

The Study Area

Plateau State has seventeen Local Government Areas, accompanied with luxuriant vegetation and adequate quantity of rainfall for cropping. The state is located in the north central part of Nigeria and shares boundaries with Bauchi, Taraba, Nassarawa and Kaduna states, while Riyom LGA shares boundary with Jos South LGA, Bassa LGA, Barkin-Ladi LGA and Kaduna state. Majority of the people in the study area are peasant farmers with an average farm size of about two hectares, although some farm households are involved in non-farm jobs like trading, sewing, rock breaking, fire wood breaking etc. Farming practices in the study area involve the

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Use of the hand tools and other area. The prominent food crops grown in this area include, Irish potatoes, maize, pepper, tomatoes, vegetables, guinea corn, carrots, sweet potatoes, cocoyam etc, but this study covers just some commonly grown crops namely Irish potatoes, maize and sweet potatoes.

Sample and Sampling Technique

The sample used for this was collected from 120 food croppers selected from all the 10 federal political wards of Riyom LGA using multistage sampling techniques, three villages were purposively selected from each ward because of the prevalence of the selected crops in these villages. The second stage involved a simple random selection of 4 farmers each from each village, thus making a total of 120 respondents.

Instruments of Data Collection

In carrying out these research work two instruments were used. They are the questionnaire and personal interview.

Questionnaire- A set of well structured question were prepared and administered to a wide range of food croppers in Riyom LGA who were sampled to represent the entire population of farmers in the study area. The questionnaire contained questions that can elicit answers on the sources and uses of credits. Although the researcher observed that some of the sampled food croppers in the local government could not read and write, so the researcher employed the use of research assistants to read and interpret the questions in their native language and assist them to fill the answers in the questionnaire.

Personal interview- Apart from the questionnaire method of data collection the researcher also used personal interview. This method of data collection was also very useful for data collection in this research venture. The visits to all the political wards in Riyom Local Government gave the researcher the opportunity to have an insight into the farmers needs and the obstacles they faced in overcoming this need so as to increase their farm output and reduce household poverty. The visits also assisted the researcher to understand other problems farmers face apart from those that relate to the objective of the study.

Validity and Reliability of Instruments

The researcher ensured that the items contained in the questionnaire are the right items, and that they are phrased in the least ambiguous manner. To achieve this, the questionnaire was given to experts for validation with clear guidelines on what they are expected to do. For example, the researcher asked experts to review the items in terms of their clarity, the appropriate language and expressions used including the appropriateness of instructions to the respondents. In addition, experts were educated on the purpose of the study as well as the research questions to be answered. The researcher also asked experts to make comments regarding the overall adequacy of

the questionnaire. At the end of this exercise the items were modified along the lines that were suggested by the experts. This way the questionnaire both valid and reliable. Thereafter the questionnaire was tested for a small group to see how the subjects will react. It was after the reaction was favourable that the researcher proceeded to the final administration of the questionnaire to the entire sample within the study area.

To ensure the validity of the interview, the researcher built rapport with farmers who are the respondents, also the interview was built on a carefully designed structure, thus ensuring that significant information is elicited.

Method of Data Analysis

The use of simple percentages was employed for the analysis of data, after data was presented in tabular form to ease understanding.

Data Presentation and Analysis

The questionnaire contains 2 subsections . the biodata and the section that seeks to elicit answers on the sources and uses of credits in Riyom Local Government Area of Plateau State. The researcher presented data collected on both parts because the intention is to educate readers on personal characteristics of the respondents which may assist us in understanding how to assist them better.

Table1.1 **Age**

Age bracket	Number of respondents	Percentage of respondents
Less than 22years	30	25
22-51 years	72	60
51 and above years	18	15
Total	120	100

Source: Field survey(2010)

The data on table1.1 shows that 25 percent of respondents are less than 22years of age while 60 percent of the respondents fall within the age bracket of 22-51years and constitute the majority who participate in farming activities in the study area and finally 18 percent of the respondents fall within the age bracket of 51years and above

Table 1.2 **Gender**

Gender	Number of Respondents	Percentage of Respondents
Male	57	48
Female	63	55
Total	120	100

Source: Field Survey(2010)

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Table 1.2 above shows that 48 percent of the respondents are males while 55 percent of the respondents are females. This indicates that there are more females than males involved in farming activities in the study area compared to males.

Table 1.4 Marital Status

Marital status	Number of respondents	Percentage of respondents
Married	97	81
Single	23	19
Total	120	100

Source: Field Survey (2010)

Table 1.4 above shows that, 97 respondents representing 81 percent of the total respondents are married, while 23 respondents representing 19 percent of the total respondents are not married. An interview with the farmers revealed that farming activity is more convenient when people are married and probably with children.

Table 1.5 Family size

Range of children	Number of children	Percentage of children
0-6	15	12.5
7-11	80	66.6
12 and above	25	20.9
Total	120	100

Source: Field survey (2011)

Table 1.5 above indicates that 15 respondents representing 12.5 percent of the total respondent sampled have children ranging from 0-6 children, while 80 respondents representing 66.6 percent of the total respondents sampled have between 7-11 children, 25 respondents representing 20.9 percent of the total sampled have 12 children and above. This means that majority of the respondents have between 7-11 children.

Table 1.6 Sources of Credit

Sources of Credits	Number of Respondents	Percentage of Respondents
Cooperative Societies	38	32
Personal Savings(friends\relatives)	12	10
Esusu(traditional\savings associations)	28	23
Money Lenders	18	15
Microfinance	18	15
Commercial Banks	0	0
Other sources	6	5
Total	120	100

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Source: Field Survey (2010)

Table 1.6 above shows that 38 respondents representing 32 percent of the total respondents source their credits from cooperative societies, 12 respondents representing 10 percent of the respondents source their credits from personal savings, 28 respondents representing 23 percent source their credits from Esusu, 18 respondents representing 15 percent of the total respondents source their credit from money lenders, no respondents source their credit from commercial banks, while 6 respondents representing 5 percent source their credit from miscellaneous sources not mentioned in the table above. This shows that cooperative societies have highest patronage followed by Esusu in solving the credit needs of the farmers within the study area

Table 1.7 Volume of Credit Sourced Per Farmer Per annum

Volume of credits	Number of Respondents	Percentage of Respondents
5000-60000	64	53
61,000-130,000	24	20
131,000 and above	32	27
Total	120	100

Source: Field Survey (2010)

Table 1.7 above shows that 64 respondents representing 53 percent of the respondents source between N5000-N60000 worth of credits for their farming activities, 24 respondents representing 20 percent source between N61,000-N130,000 worth of credit for their farming activities. 32 respondents access between N131,000 and above worth of credits for their farming activities. An interview with the farmers reveals that the need for credit is far more than the available volume of credits.

Table 1.8 Uses of Credit

Uses of credit	Number of respondents	Percentage of respondents
Labour cost	48	40
Fertilizer, Herbicides, pesticides, seedlings	72	60
Both	0	0
Total	120	120

Source: Field Survey (2010)

Table 1.8 above shows that 48 respondents representing 40 percent of the total respondents use their credits to settle the cost of labour, while 72 respondents representing 60 percent of the respondents use their credits sources to procure fertilizer, herbicides, pesticides and seedlings. No one uses his credit for both purposes as shown in the result above.

Result and Discussions

The study has shown that 60.1% of the respondents fall within the age bracket of 22-51 years. This indicates that majority of the farmers were middle aged, only 15% were about 51 years of age and above, the rest being less than 22 years of age, 81% of the farmers were married, indicating that, on the average, even if a farmer is under aged he will prefer to marry and have children to add up to his farm labour. The study also found that 48% of the farmers were males while 52% were females. This is opposed to the findings of Olaleye (2000) and Adebayo and Adeola (2000) that small scale farming is being carried out mostly by males, while females involved in high farm operations such as processing, harvesting and marketing. The situation in this study is that while women dominated in peasant farming, they also dominated in harvesting, processing and marketing activities within the study area.

The study also indicates that peasant farmers have large family size with majority falling between 7-11 children per family, this collaborates the initial finding of early farmers marriage to assist in farm labour above. The study found that 41% of the respondents were involved in one form of education or the other while 51% did not have education at all. The study further revealed that farmer's dependency on credit for their farming activities was in the order of magnitude indicated in table 1.5. The magnitude of findings shows that 80% of the credit sources are obtained from informal financial institutions while only 15% are from formal financial sources (micro finance banks), 5% of the sources were found to be from miscellaneous sources.

The results above shows that better part of credits are sourced from informal sources and since these sources do not have the capacity to mobilize enough/sizeable proportion of loans, it then means that credit availability for small scale farmers is not adequate.

The data shows that commercial banks have zero patronage in the study area. Lack of patronage of the commercial banks is attributed to absence of commercial banks in the rural areas and farmer's low level of education to adequately patronize formal financial institutions for loan facility. It is also obvious that peasant farmers do not have adequate collaterals on which credits extended to them can be tied. This findings collaborates the view of Ogunfowora (1981).

Considering the size of loans which farmers have always access to, 53% of them access between ₦5000-₦60,000 while 20% accessed between ₦61,000-₦130,000, and 27% of the respondents usually access between ₦131,000 and above. Although discussions with this farmers revealed that they were always ready to access higher credits than the figures stated above, but the capacity of the loan sources is usually limited.

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The study revealed that 40% of the farmers use the credits obtained for settlement of labour cost while 60% make use of the credits to procure fertilizer, herbicide, pesticides and seedlings. This means that access to fertilizer; herbicides, pesticides and seedlings constitute a major challenge to agricultural production in the rural areas.

The study also found that high cost of obtaining credit and the short period within which the credits were expected to be paid back are the major constraints of agricultural credits in Plateau State. A study conducted by Von-Pischike (1986) had reported earlier that Money lenders generally charged exorbitant rates due to risks involved and in some cases, they extract economic surplus provided by peasant labour, capital and possibly land.

Conclusion and Recommendations

Research has shown that credit is one of the important ingredients that can bring about increase in productivity but unfortunately, previous studies have shown that there is inadequate amount of credits available for the peasant farmers to increase their investments and so boost their productivity. It is in line with the importance of credits in boosting productivity that the federal government through CBN has encouraged and is still encouraging the establishment of Micro finance banks through which peasant farmers who dominate the agricultural sector in Nigeria can be supported. A survey of the sources of funds available to farmers reveals that up to this time, the activities of micro finance banks are not meaningfully felt among the farmers and as such their major sources of credit is still from informal financial institutions, The study notes that little patronage of micro finance bank is due to low level of awareness of the farmers, high rates of interest charged on credits, stiff payment conditions, and little presence of this Micro finance banks in the core areas of need. It is one of the major findings of the study that the available sources of credits are mostly used by the farmers to procure fertilizer, herbicides, pesticides, and improved seedlings for the improvement of their farm efforts.

In line with the above findings, the study recommends the following:

- i. Government through her agencies, institutions, ministries and parastatals should design programmes that will encourage and strengthen the activities of informal financial institutions in the rural areas.
- ii. All other financial institutions should be compelled by the Central banks to fashion out ways of making credits available to farmers as a pre-requisite for commercial banking business in Nigeria.
- iii. The CBN in collaboration with Microfinance banks should create more awareness on the availability of credit and conditions for disbursement to farmers.
- iv. The conditions for disbursement and repayment of these credits should be simple enough so as not to discourage farmers from accessing the credits.

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- v. Government should subsidize the cost of fertilizers, pesticides, herbicides and improved seedlings as a necessary condition for improved production of farm yields.
- vi. The Federal Government should through CBN encourage more aggressively the establishment of more Microfinance banks, and an increase in the quantity of funds made available for disbursement to peasant farmers.

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