

# WOMEN FARMERS AND AGRICULTURAL CREDIT DELIVERY IN OBI AREA OF NASARAWA STATE, NIGERIA

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## **Abstract**

The study assesses agricultural credit delivery among women farmers in Obi Area of Nasarawa State. The average credit needed by the respondents in the study area was N100, 000 implying that the amounts obtained from the credit sources are inadequate. Number of dependents, interest charged on loan, land ownership, timeliness of disbursement, distance from the sources of credit, revenue from crop grown and farm size, significantly influenced the credit needs of the respondents. The major constraints faced by the respondents were inadequate credit, short repayment plan and delay in credit disbursement. The study recommends that there is the need for banks to increase the amount of credit disbursed, that commercial banks should ease the procedure for obtaining loan so as to speed up the process of loan disbursement. The Federal government should create the enabling environment that will encourage the opening of banks in the rural areas and formulate policies that will mandate banks to reduce the interest rate charged on loan, thus, encouraging farmers to go for more credit.

**Keywords:** Women farmers, Credit, Obi, Nasarawa,

## **Introduction**

Agriculture provides employment for over 70 percent of the national labour force which cultivates and processes the bulk of the food consumed locally (Ogungbile *et-al*, 1991). Women in Africa make up more than one third of the workforce. They account for about 70 percent of agricultural workforce, 80 percent of food producers, 100 percent of those who process basic foodstuff and make up 60 to 90 percent of the marketers of foodstuff (Maigida, 2001). Different governments have tackled the food deficit problem with varying degrees of success. Programmes such as the Operation Feed the Nation (OFN, 1976), The National Accelerated Food Production Project (NAFPP, 1972), Green Revolution Programme (GRP, 1979), The Agricultural Development Projects (ADP, 1975), The Agricultural Credit Guarantee Scheme Fund (ACGSF, 1975), Root and Tuber Expansion Programme (RTEP, 2001), Special Programme for Food Security (SPFS, 2001), and Fadama Projects 1, II, and III (Nasarawa Agricultural Development Programme, 2007). All these efforts were aimed at directly and indirectly increasing Nigeria's agricultural output and production capacity. In spite of the critical importance of these programmes and policies, the single most important constraint to modernizing agricultural production in Nigeria is agricultural credit Akande and Igben (1984) in their work found that access to credit promote high productivity. They reported that only few female farmers opt for large-scale agricultural production. Some of the female respondents claimed not to have received any funds from bank or government institutions for their work. This is because many of them had no land of their own to serve as collateral for the loan. Omoregbe (1995), found out that men select land first so they would have selected the most productive part leaving women with land that has either been overused or land that is prone to erosion. The need for the transformation of traditional agriculture requires a lot of capital investments which women cannot afford despite their role in agricultural production, processing and marketing (Rahman and Adeniji, 2006). The demand for rural credit has also expanded due to increased working capital needs of agricultural activities induced by high cost of improved inputs. Failure of agricultural lending has been as a result of wrong appraisal of the projects by the lending banks, the screening out of women through eligibility restrictions and also because of the short-term tenure of such lending (Agbato, 2000).

Prior to the 1990's, Credit schemes for rural women were almost non-existent. The concept of women's credit was born on the insistence by women oriented studies that highlighted the discrimination and struggle of women in having access to credit. However there is a perceptible gap in financing genuine credit needs of the poor especially women in the rural sector (RASS, 1998). There are certain misconceptions about the poor women, that they need loan at a subsidized rate of interest on soft terms, they lack education, skills, capacity to<sup>1</sup> save, credit worthiness and therefore are not bankable. Nevertheless, the experiences of several self-help groups (SHGS) revealed that rural poor are actually efficient managers of credit and finance. Availability of timely and adequate credit is essential for them to undertake any economic activities rather than credit subsidy. Women in Obi Local Government Area, use traditional tools and techniques which are time consuming and very tedious. The tools employed are usually not efficient to generate the required outputs. Furthermore, these women just like most rural women carry out the bulk of marketing and processing of farm produce. Improving the productivity of these rural women farmers will require the use of new and appropriate technology i.e. (high yielding seed varieties, animal traction equipments and integrated pest management practices). However, the use of these new technologies cannot be possible if credit is not available and well applied. The objectives of this study therefore, are to: (i) describe the socio-economic characteristic of the respondents in the study area (ii) identify the respondents' major sources of agricultural credit (iii) determine the credit needs of the respondents (iv) identify the determinants of credit needs of the respondent and (v) determine the constraints to agricultural credit delivery in the study area. It is expected that the findings of the study will help to formulate agricultural credit policies that will have direct bearing on the rural women farmers. The findings will also be of immense benefit to the commercial banks and agricultural banks especially by guiding them on the amount of credit to be disbursed annually vis- a- vis the credit needs of the respondents. Finally, the findings study will also help to enhance the access to agricultural credit, improve the economic base and family welfare of respondents.

## Methodology

The study was conducted in Obi Local Government Area of Nasarawa State. The area shares common boundaries with Lafia Local Government to the East, Jenkwe Local Government to the West as well as Keana Local Government to the Southwest. The Local Government has an estimated area of 4766 sq/km and estimated population of about 315,325 people (NPC, 1991). The average temperature is 32 C, The soil varies from loam to sandy loam which is good for crop production and there are also sufficiency of grazing areas for livestock production. The area has two climatic seasons which include the wet and dry season. The wet climatic season begins in late April to late December or early November and the dry wind spell with Harm at an starts from early December to late March. The major towns in the Local Government Area include Adudu, Agwatashie, Obi, Tudun Adabu, Daddare, and Riri respectively. It is estimated that about 75% of the entire population of women in the area are farmers (NADP, 2007). The crops cultivated include yam, maize, cassava, millet, cowpea, benniseed etc. The population for the study is rural women farmers. Eight (8) women farmers' cooperative societies were purposely selected for the study. The selection was based on their registration with NADP Zonal office Obi and experience with agricultural credit utilization. The "respondents" were selected from the eight co-operatives proportionately using the expression below. Number of respondents selected from the cooperative society =  $n * Xi / N$

Where; n = total membership from a cooperative society N = total membership of the 8 cooperative societies. Xi = Desired sample size = (60)

The list of members of each cooperative society was used to select the desired number of respondents using the technique of simple random sampling (Table 1). Primary data were used for the study and were collected with the aid of an interview schedule that was administered to the respondents by the authors between the second and fourth weeks of July 2007. Data were collected on the socio economic characteristics of the respondents such as age, education, marital status, occupation, family size, farm income etc. Data were also sourced on issues relating to agricultural credit. Simple descriptive statistics such as mean, percentage and frequency counts were used to satisfy objectives i, ii, iii, and v while a multiple regression analysis was used to satisfy objective iv. The linear, semi log and double log forms of the regression model were tried, however, 'the linear form had the best fit to the data and was expressed as follows;  $Y = a + b_1X_1 + b_2X_2 + b_3X_3 + b_4X_4 + b_5X_5 + b_6X_6 + b_7X_7 + b_8X_8 + b_9X_9 + U$ . Where Y = Credit need (amount of credit obtained) (N), a =

constant term,  $X_1$  = Farm size (Ha),  $X_2$  = Number of crop grown (Exact Number),  $X_3$  = Revenue from crop production during the previous cropping season (N),  $X_4$  = Distance from source of credit (Km),  $X_5$  = Level of education (Years),  $X_6$  = Timeliness of loan disbursement (1 if timely, 0 other wise),  $X_7$  = Land ownership (1 if owned, 0 other wise),  $X_8$  = Number of dependants (exact Number),  $b_1$ - $b_9$  = regression coefficients, U = well behaved error term.

**Table 1: List of Cooperative Societies and Sampling Frame**

S/No	Name of Cooperative Society	District	Membership	Sample Selected
1.	Agada Rice Millers	Obi	17	12
2.	OwusoYokonu Farmers	Obi	15	9
3.	Alheri Group Orriso	Obi	10	6
4.	Anyekewma Cassava Farmers	Obi	10	6
5.	Agwavo B Farmers	Obi	10	6
6.	Osa farmers	Agwatashi	12-	8
7.	Abari Central	Agwatashi	11	7
8.	Ishidoya Farmers	Daddere	10	6
	Total		95	60

Source: NADP Zonal office Obi

## Results and Discussion

### Socioeconomic Characteristics of Respondents

Table 2 shows that majority of the respondents (40%) belong to the 31 - 40 age group, followed by 26-30 age group (31.7%). This reveals that the women farmers in the study area are relatively young. The Table further reveals, that 95% of the respondents were married, 55% had 6-10 years of experience in farming while 31.7% of the had between 1-5 years of experience, thus implying that the managerial ability of the respondents is reasonably good. 90% of the respondents had between 1-5 years of cooperative participation. The above reveals that most respondents are relatively new in cooperative activities or do not fully comprehend the benefits therein. The Table also shows, that most of the respondents (61.7%) have no formal education followed by primary school leavers (18.3%) and secondary school certificate holders (15%). A large portion of the respondents (50%) have farmlands of between 0.50-1.60 hectares followed by 26-7% with between 1.61-2.50 hectares. The land for agricultural activities in the study area was mainly purchased as majority of the respondents (51.7%) carried out their farming activities on purchased lands. 46.7% of the respondents got their farms through inheritance. 75% of the respondents grow between 1-3 crops. The above is encouraging as diversification can help to guard against risk of crop failure.

As far as the income level of the respondents is concerned, most of them (36.7%) earned above N60, 000, followed by N41', 000- N 50, 000 income group (18.3%) and \$4 20,000 - N 30,000 income group (16.7%).

**Table 2 Socio-Economic Characteristics of Respondents**

<b>Variable</b>	<b>Frequenc</b>	<b>Percentage (%)</b>
<b>Age group</b>	<b>Years</b>	
<b>20-25</b>	<b>4</b>	<b>31.7</b>
<b>26-30</b>	<b>19</b>	<b>40.0</b>
<b>31-40</b>	<b>24</b>	<b>21.7</b>
<b>41 -above'</b>	<b>13</b>	<b>100.</b>
<b>Total</b>	<b>60</b>	<b>0</b>
<b>Marital status</b>		
<b>Married</b>	<b>57</b>	<b>95.0</b>
<b>Single</b>	<b>3</b>	<b>5.0</b>
<b>Total</b>	<b>60</b>	<b>100.</b>
<b>Years of Experience</b>		<b>0</b>
<b>1-5</b>	<b>19</b>	

6-10	33	55.0
11-20	6	10.0
20-above	2	3.3
Total	60	100.0
<b>Cooperative Participation Years</b>		
1-5	54	90.0
6-10	3	5.0
11-20	3	5.0
Total	60	100.0
<b>Educational Level</b>		
No formal education.	37	61.7
Primary education	11	18.3
Secondary education	9	15.0
Tertiary education	3	5.0
Total	60	100.0
<b>Farm size Hectares</b>		
0.50- 1.50	30	50.0
1.51-2.50	16	26.7
2.51 and above	14	23.3
Total	60	100.0
<b>Land tenure system</b>		
Inherited	28	46.7
Purchased	31	51.7
Rented	1	1.7
Total	60	100.0
<b>Number of crop grown Number</b>		
1-3	45	75.0
4 and above	15	25.0
Total	60	100.0
<b>Revenue from crop Production in 2006 Naira</b>		
20,000-30,000	10	16.7
31,000-40,000	9	15.0
41,000-50,000	11	18.3
51,000-60,000	8	13.3
> 60,000	22	36.7
Total	60	100.0

### Respondents' Sources of Credit and Credit Needs

The result on Table 3, shows that 78.3% of the respondents relied on the commercial banks as their major source of agricultural credit, few (21.7%) relied on other sources such as friends and relatives. Further discussions with the respondents revealed that most individuals were not too willing to loan out money for farming because of the possibility of default. Table 3, further shows that 60% of respondents needed between \$460, 000- N100, 000 while 33.3% needed between \$4100, 000-=\$4150, 000, 6.7% needed above N150, 000. The average credit need was computed to be approximately \$4100, 000. Table 3, also shows, that majority of the respondents (66.7%) obtained between \$430, 000-N50, 000, 26.7% between \$450, 000-480, 000 and 6.7% above N 80,000. The average amount obtained was \$450, 000, which is far below the average credit need of the respondents. The result agrees with the findings of Chidebelu and Ezike (1988), who reported that farmers in the study area obtained less than what they required for their farming operations because of the insufficient flow of loanable funds in the area. Ihemeje (2007), also reported that the volume of bank lending to the agricultural sector has been shrinking following the economic reforms of 1987.

**Table 3 Distribution of Respondents Based on Source of Credit, Credit Needs and Amount Obtained**

Variable	Frequency	Percentage (%)
<b>Sources of credit</b>		
Banks	47	78.3
Other sources ie friends and relatives	13	21.7
Total	60	100.0
<b>Credit Needs (W)</b>		
60,000-100,000	36	60.0
100,000-150,000	20	33.3
> 150,000	4	6.7
Total	60	100.0

<b>Amount of Credit Obtained (W)</b>		
30,000- 50,000	40	66.7
50,000-80,000	16	26.7
>80,000	4	6.6
Total	60	100.0

### Determinants of Credit Needs of Respondents

From the regression analysis on Table 4, 52% of the variation in the credit needs of the respondents was explained by the independent variables included in the model. Farm size, number of crops grown, level of education and number of dependents, all had positive and significant regression coefficients thus, implying that an increase in any of these variables will lead to a corresponding increase in the credit needs of the respondents. However, distance from source of credit and interest charged on loan had negative and significant coefficients implying an inverse relationship between the two variables and the credit needs of the respondents. The two dummy variables included in the model (timeliness of loan disbursement and land ownership) had significant T- values implying that there is a significant difference between the credit need of the respondents who got the loans on time and those who did not. The same holds concerning the credit needs of the respondents who owned their land and those who do not.

**Table 4 Result of the Regression Analysis**

<b>Variable</b>	<b>Regression Coefficients</b>	<b>Standard Error</b>	<b>T-value</b>
Constant	496142.55	167897.45	.005
Farm size (X <sub>1</sub> )	30421.121	-21595.339	.066***
Number of crop grown (X <sub>2</sub> )	10401.908	15492.362	.030**
Revenue from crop production During the previous cropping			
Season (X <sub>3</sub> )	-.102	.797	.899 <sup>NS</sup>
Distance from source of credit (X <sub>4</sub> )	-4672.348	5425.889	.94*
Levels of education (X <sub>5</sub> )	3971.692	3672.535	.285 <sup>NS</sup>
Timeliness of loan			
Disbursement (X <sub>6</sub> )	90703.873	92675.390	.033**
Land ownership (X <sub>7</sub> )	-64780.93	39853.216	.001***
Number of dependent (X <sub>8</sub> )	901.111	8157.410	.003***
Interest charged on loan (X <sub>9</sub> )	-4.278	7.331	.062*

NB R<sup>2</sup> = 0.52%      \*\*\* - Significant at 1%   \*\* = Significant at 5%   \* = significant at 10%, NS = Non significant.

### Constraints to Agricultural Credit Delivery in the Study Area

The result on Table 5, reveals that the major constraint to agricultural credit delivery in the study area was inadequate credit which ranks the first with 33.6%. According to the women the amount they obtained are always inadequate, implying that the credit needs were not met. Short repayment plan was ranked second with 24%. The respondents explained that the time given to them for the repayment is always short thereby making them to sell their farm produce when the prices are low in the market, thus making them to incur losses. Delay in disbursement was ranked third with 23.2% and high interest rate ranked fourth (13%).

**Table 5 Constraints To Agricultural Credit Delivery in the Study Area.**

<b>Constraints</b>	<b>Frequency</b>	<b>percentage (%)</b>	<b>Rank</b>
Inadequate credit	49	33.6	1
Delay in disbursement	34	23.2	3
Distance from credit source	9	6.11	5
Rigid collateral requirements	0	0.00	6
Short repayment plan	35	<b>24.0</b>	<b>2</b>
High interest rate	19	13.0	4
Total	146*	100	

\*Multiple responses were allowed therefore the total frequency exceeded the total sample size.

### Recommendations and Conclusion

From the findings of the study it can be concluded that though the respondents utilized agricultural credit, their credit needs are affected by constraints such as inadequate credit, delay in disbursements, distance from credit source, short repayment plan and light interest rates. Based on the foregoing, the followings are recommended. Firstly, policies that will encourage commercial banks to increase the 'amount of credit disbursed to farmers should be formulated by government. Secondly, Commercial Banks should be mandated by the Central Bank to ease the procedure for obtaining loan so as to

fasten the process of loan disbursement. Thirdly, the Federal government should create the enabling environment that will encourage commercial banks to open more branches in the rural areas and formulate policies that will mandate banks to reduce the interest rate charged on loans thus encouraging farmers to go for more credit — -

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