

PERCEPTIONS OF AGRICULTURAL OFFICERS AND FARMERS ON AGRICULTURAL CREDIT IN OYO STATE: IMPLICATIONS FOR POLICIES ON AGRICULTURAL CREDIT

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Abstract

The study determined the perceptions of farmers and credit officers on agricultural credit and the implications of their perceptions for agricultural credit policies in Nigeria. The study determined the differences in agricultural productivity among respondents with and without access to credit, and identified the extent to which officers of NACRDB ensured that the loans were used for the purpose for which they were required. Primary data were collected using structured questionnaire administered on 80 farmers and 30 credit officers in Ibadan North Local Government area of Oyo State. Data analysis shows that 77.5% of farmers obtained loans from, 82.5% of the farmers interviewed used the loan for agricultural purposes. The chi-square analysis of data showed that there was a significant relationship between personal characteristics and demand for agricultural credit ($p=0.001$), that is age ($p=0.104$), marital status ($p=0.062$), farm size ($p=0.135$), and education ($p=0.001$). The T-test showed that there was a significant difference between the perception of agricultural credit officers and farmers on the use of agricultural credit. Problems identified facing farmers on credit in the study area include; lack of adequate facilities, lack of feeder roads and high transport cost. The result shows that agricultural credit had helped to increase productivity and equally improve the standard of living in the rural area.

Introduction

Agricultural credit involves studying, examining and analysing the credit aspect pertaining to farm business which is the core sector of the country's economy. Agricultural credit policies seek to address concerns about social equity and to enhance economic efficiency by raising lender competition, lowering transaction costs, or improving market information. In an economy a variety of both public and private institutions cater for the needs of the farming community. Developed countries usually have efficient infrastructural facilities and the size of holdings, land tenure system and levels of income are usually such that sufficient securities for loans are available. In Nigeria, the growth of financial institutions over the past six years is interesting and impressive. The inability of small scale farmers to obtain loan from formal sources prior to the creation of agricultural lending agencies may be attributed to the lack of adequate financial institutions. Today however, such inaccessibility to formal sources of lending by small farmers can hardly be blamed on the competing profitable with other borrowers. Alternatively, small scale farmers may be in a weak bargaining position because of relatively low-level returns in the agricultural sector. This led to the establishment of Nigeria Agricultural Credit and Rural Development Bank Limited (NACRDB) following the successful merger of the People's Bank of Nigeria (PBN), the defunct Nigeria Agricultural Cooperative Bank (NACB) in October 2000. It was aimed at solving the agricultural finance problem at both micro and macro levels as well as financing of small and medium scale enterprises. NACRDB gives loan to individual farmers but mainly through cooperatives or farmers' associations. Applications for loans are made through the agricultural credit officers. Direct formal sources of credit in Nigeria can be classified as either commercial or developmental banking institutions.

According to the Governor of the Central Bank of Nigeria (CBN), Professor Charles Soludo, many commercial banks understandably ceased from the process of giving loans to low profit yielding ventures with long payback period and high risk. A good example is the agricultural sector. There are a lot of problems militating against the growth of agriculture in Nigeria chief of which is the non availability of credit facilities to farmers. It becomes questionable whether rural farmers are really having access to credit or not. Is there any difference in the farmers and credit officers' perceptions of agricultural credit? This study therefore seeks to provide baseline information which may be used for policy formulation on agricultural credit scheme in Nigeria. Specifically the study sought to:

- i) identify socio-economic characteristics of respondents.
- ii) find out the perceptions of farmers on agricultural credit.
- iii) examine the perceptions of credit officers on agricultural credit and
- vi) Compare the perception of agricultural credit by credit officers with that of the farmers.

Methodology

The population of the study included all farmers who benefited from agricultural credit in Oyo state and all staff members of the Ibadan branch of Nigeria Agricultural Credit, Rural and Development Bank (NACRDB). Total number of 110 respondents (80 farmers and 30 Agricultural Credit Officers) were selected using the simple random sampling procedure.

Descriptive Statistics (frequency counts, percentages) and inferential statistics (t test), were used to analyzed the primary data collected.

Results and Discussion

Table 1 shows the distribution of farmers according to their socioeconomic characteristic. About 73.8% of respondents were male while 26.2% were female. This implied that a high percentage of farmers in the study area were male. Also 17.5% of the respondents are within 21-30 years, about 31.3% were 31-40 years. Also about 3ely 7,5% were 41-50 years and 13.7% were 51-60 years. Majority of the fanners were 3I-50years. This implied that over 85% (17.5, 31.5, and 37.5) were below 50years and is actively involved in fanning. It is also evident from table 1 that 75% of the respondents are married, 13.7% of the respondents were single and 11.3% of the respondents are divorced. This implied that a greater percentage of respondents have family .Also 52.5% of the respondents possessed Higher National Diploma and Bachelor degree, 16.3% National Diploma (ND), 8.7% of the respondents claimed primary school certificate and 2.5% respondents gave no response. This is an indication that there is high level of education among the farmers interviewed in the study, which may help their adoption rate.

From Table 2, male respondents were 63.3% while female 36.7%. This showed that there were more male credit officers implying that most of the respondents were capable of going extra miles because most males are likely to perform better on the job. Also table 3 shows that 53.3% of the credit officers were within the age of 41 - 50 while 46.7% were within the age of 31 - 40 years. This meant that most of the respondents were mature and capable of putting records straight. It further revealed that 76.7% of the respondents were married while only 23.3% of them were single. This implied that married individuals were mostly involved in credit operations and is responsible.(Efe,2005)

Table 3 shows that 77.5% of the respondents procure loan from the Agricultural bank, 13.7% of the respondents procured loan from cooperative societies, 2.5% of the respondent procure loan from their relatives, and 1.3% from commercial bank and 5.0% of the respondents gave no response. The result shows that there is a high level of awareness on the presence of an agricultural bank. Also82.5% of the respondents (farmers) reported that they used their loans for agricultural purposes. This clam could not be verified.

Major problem facing fanners is loan procurement in the study area include, Lack of adequate information on loan, bureaucracy, and higher transport cost. These problems limit profitable agricultural production in the study area.

Table 1: Distribution of Respondents Based on Socioeconomic Characteristics of Farmers and Officers

Characteristics	Frequency	Percentage
Sex		
Male	59	73.8
Female	21	26.2
TOTAL	80	100
Age		
21-30	14	17.5
31-40	25	31.3
41-50	30	37.5
51-60	11	13.7
TOTAL	80	100
Marital Status		
Married	60	75
Single	11	13.8
Divorced	09	11.2
TOTAL	80	100
Educational Status		
Primary	7	8.7
Modern/Sec school	16	20.0
National Diploma	13	16.3
HND/B. Sc	42	52.5
No response	2	2.5
TOTAL	80	100

Table 2 Socioeconomic Characteristics of Agricultural Credit Officers

Sex	Frequency	Percentage
Male	19	63.3
Female	11	36.7
TOTAL	30	100
Age of respondents		
31 -40	14	46.7
41 -50	16	53.3
TOTAL	30	100.0
Marital status	frequency	Percentage
Single	7	23.3
Married	23	76.7
TOTAL	30	100.0

Source: Field survey 2007

Table 3: Distribution of Respondents by Loan Sources and Usage

Sources of Loan	Frequency	Percentage
Agricultural Bank	62	77.5
Cooperative society	11	13.7
Relatives	2	2.5
Commercial banks	1	1.3
No response	4	5.0
TOTAL	80	100.0
Uses of loan	Frequency	Percentage
Agricultural Use	66	82.5
Non Agricultural	14	17.5
TOTAL	80	100.0

Source: Field survey 2007

Distribution of Respondents by Problem Encounter in Procuring Loan

Problems facing the farmers	Frequency	Percentage
Lack of adequate information on loan	55	68.7
bureaucracy	12	15.0
Higher transport cost	8	10.0

Other problems	5	6.3
TOTAL	80	100.0

Perceptions of Respondents about Agricultural Credit

The study revealed that credit officers admitted that agricultural credit enhances farmers' productivity. All the credit officers (100%) agreed to this statement, this implied that loans were profitable to farmers. However, most credit officers perceived that if farmers were given heavy amount they may not use it wisely especially during this political era. Also they perceived that application process should still be tightened to guard against defaulters.

Majority of the farmers on the other hand, perceived that credit disbursement as many time as possible, and on time will aid their productivity. Also financial institutions should relax the procedure in acquiring credit and give them opportunity to utilize the credit for any purpose of their choice.

Table 4 shows that there were significant relationships between age, marital status and farm size of farmers with the sources of agricultural credit. This meant that in the study area the farmers were aware of agricultural credit and seriously need it. This showed that extension agents did their work by creating awareness on the need to acquire credit for farming activities.

Table 5 shows that, there is a 't' value of -0.556. At significance level of 0.05, the value of significance is 0.579. We therefore reject the null hypothesis and accept the alternative hypothesis; this shows that there is a significant difference between the perception of agricultural credit officers and farmers on agricultural credit. Furthermore, most farmers felt that loans from government institutions are their own share of "National Cake" or dividend of democracy, and they are not to return the loan. While credit officers do not perceive that the money should be used judiciously and must be returned

Test of Hypothesis

H₀: There is no significant relationship between the socioeconomic characteristics of farmers and the source for agricultural credit.

Table 4 : Demographic Characteristics and Sources of Capital

	Value	df	Asymp. Sig (2- sided)	Decision
Sex	16.637	3	.001	NS
Age	14.553	II	.104	S
Marital Status	12.013	-	.062	S
Education	^7 A I 3~	9	.001	NS
Farm Size	13.662	9	.135	S

Source: Field survey 2007

H₀ There is no significant difference between the perception of agricultural credit officers and farmers on agricultural credit.

H₁ There is a significant difference between the perception of agricultural credit officers and farmers on agricultural credit. T-test table

Table 5: Test of Difference in the Perceptions of Farmers and Credit Officers

	Levine's Test for Equality of Variances	T-test for Equality of Means						
	F	T	Df	Sig. (2tailed)	Mean Difference	Std. Error Difference		
Perception	Equal Variance Assumed	.24	0.877	-.556	108	.579	-.04	.081
	Equal Variance Not Assumed			-.555	51.970	.581	-.04	.081

Findings and Implications

The implication of the credit scheme if well managed will boost farmer's income only in the long-run. For policy formulation, loan conditions and environment should be reconsidered and not as from year to year under old condition. The easy access for procuring loans make heavy loan unavailable to poor farmers but to selected few rich farmers, hence this will help in policy formulation. It was found that all NACRDB loans disbursed to small farmers were being monitored; hence, the implication of monitoring the uses made borrowed fund not easily directed to non-agricultural purposes.

The total reliance of our economy on agriculture and the fact that more than 75 percent of these small scale farmers living in the rural areas were still trapped in a vicious circle of low productivity, low income, poor standards of living and poor medical care, became glaring to government that if gross domestic product were to be sustained, the quality of life in the

rural area has to be improved. Policy on agricultural productivity and improving the living and working conditions of the rural population should be targeted at in all developing countries, most especially Nigeria.

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