SOCIO – ECONOMIC FACTORS INFLUENCING UTILIZATION OF BANK OF AGRICULTURE CREDIT SCHEME BY FARMERS IN OYO STATE, NIGERIA

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ABSTRACT

The study examined the socio–economic factors associated with credit disbursement and utilization by farmers, in Oyo State, Nigeria. A systematic random sampling technique was used to select 130 beneficiaries and 130 non–beneficiaries from the Bank of Agriculture Mobile Credit Officers at the Zonal Headquarter of the Bank, in the State Capital, Ibadan. Data were collected through structured questionnaire and analyzed using frequency counts, percentage, Chi-Square and Pearson Product Moment Correlation (PPMC). The result showed that majority (50.0%) of the beneficiaries and non–beneficiaries (52.3%) were within the age bracket of 41 – 50 years. In addition, majority (93.5%) of the farmers were married with children, while (88.5%) of them were males. Beneficiaries (17.7%) were more literate than the non – beneficiaries (5.4%). More than one – half (60.0%) of the farmers had arable crop farming as their primary occupation, with a farm size of 6 – 10 hectares. The result further showed that (58.4%) of the farmers relied on Bank of Agricultural Credit Scheme, despite the fact that only a few of them (2.3%)benefited from the loan 4 -5 times. Also (52.3%) of the beneficiaries and (35.4%) of the non – beneficiaries utilized the loan to hired labour and for weeding. Socio – economic characteristics such as age (χ^2 = 2.52, P > 0.05),and sex (χ^2 = 3.84, P > 0.05), had no significant effect on credit utilization. However, secondary occupation (r = 13.04),and sources of labour (r = 17.4) markedly influence the utilization of credit by the farmers. The study recommends that, the loan should be granted to the real farmers, and more females should be included in the future credit scheme.

Keywords: Socio – economic, disbursement, utilization, loan

INTRODUCTION

Nigeria ranks the 55th worldwide and first in Africa in farm output, although agriculture in Nigeria has suffered mismanagement, inconsistency and poorly conceived government policies, lack of basic infrastructure and credit facilities over the years. Despite the speedy growth in other sectors, agriculture is still the single largest sector contributing nearly 22% to the national income, and employing nearly 70% of the work force, as much as 75% of the country population living in rural areas directly or indirectly dependent on agriculture for its livelihood (Nasir and Uwelo 2011). Given its importance to national economy almost all governments gave high priority to raise agricultural productivity and hence farmers income. Decline in agricultural production in Nigeria began with the advent of the petroleum boom in the early 1970's, the boom in the oil sector brought about a distortion of the labour market. The distortion in turn resulted in adverse effects on the production levels of both food and cash crops, as food production could not keep pace with its increasing population, hence Nigeria, began to import food. It also lost its status as a net exporter of cash crops like cocoa; palm oil, and groundnut (Verheye, 2000). According to United State Department of Agriculture, (2001). Nigeria's total food and agricultural imports are valued at approximately $1.6 billion per year. Among the major imports from the United State are: wheat, sugar, milk powder and consumer ready food products.

Credit is the backbone of any business and more so agriculture, which has traditionally been a non – monetary activity for the rural population in Nigeria. Agricultural credit is an integral part of the process of modernization of agriculture and commercialization of the rural economy. The introduction of easy and cheap credit is the quickest way for boosting agricultural production. Therefore it was the prime policy of all successive governments to meet the credit requirements of the farming community in Nigeria. Agriculture as a sector depends more on

credit than any other sector of the economy, because of the seasonal variations in the farmers returns and a changing trends from subsistence to commercial farming. Credit may provide them the opportunity to earn more money and improve their standard of living. Under the bank of agriculture loan scheme, credit is provided for relief of distress and for purchasing seeds, fertilizers, cattle and implements (Balogun and Otu,1992)

The role of agricultural credit in enhancing agricultural productivity is well recognized and its contribution to alleviate poverty in rural areas is enormous. It significantly contributes in the total supply of food intake and increases the productivity of human labour, Olomola, (1994). The agricultural sector plays vital roles in providing nutritive food rich in animal protein and also helps in supplementing family incomes and generating gainful employment in the rural sector (Ihimodu, 2003).

Despite the efforts of various successive governments to increase agricultural production through its various programmes on agricultural credit, agricultural production in Nigeria which is dominated by small scale farmers is still on the decline. Most government agricultural credit programmes are good on paper but the implementations are faulty (Berger, 2002).

The problem of agricultural credit administration include those of assessment of application and project, the grounds on which a loan application is assessed often include the applicants personal qualities such as honesty, credit worthiness and repayment capacity as well as availability of security for the loan. Most of these yardsticks are at present time difficult to measure in the Nigerian small scale farming sector relative to other sector of the economy. Another major constraint of credit is the increasing default rate by the farmers, their loan repayment rate is not encouraging, and this is one of the reasons why commercial banks shy away from financing agriculture (CBN, 2002).

These problems according to Singh and Nasir (2003) were made worst by the complex nature of agriculture, which makes its financing relatively difficult compared to other sector of the economy. Inherent uncertainty in agriculture like natural hazards which cause unexpected and considerable losses to farmers makes banks less likely to finance or give farmers credit facilities. The production process of agriculture is such that there is long interval between effort and reward, During this interval the demand for agricultural produce may change in a manner that upsets the calculations of farmers thus introducing an additional uncertainly in the business of agriculture (Fischers, 2003).

The assumption of agricultural credit, is that loan are difficult to obtain, which means it is difficult to access fund, due to timing, duration and condition of repayment which are not favourable to beneficiaries. In this context, the present study was conducted to examine the socio – economic factors influencing the disbursement and utilization of Bank of Agricultural Credit Scheme by farmers in Oyo State, Nigeria.

Specifically, the study attempted to;

1. describe the socio – economic characteristics of the respondents;
2. identify the sources of credit, times and amount applied for credit;
3. ascertain the level of credit utilization by farmers in the study area;
4. determine the major constraints associated with credit procurement disbursement, and proffer solutions.

METHODOLOGY

The research work was conducted in Oyo State, Nigeria. The state was created in February, 1976 by the then military government of Nigeria. The state has thirty – two (32) Local Government Areas, and lies between longitudes $2^0 25$ and $4^0 30$ East of Greenwich Meridian and latitude $7^0 10$ and $9^0 25$ North of the equator. The state occupies a surface area of 28, 454 square kilometers of land, with a total population of about 5, 591, 589 (NPC, 2006). It shares common boundaries with Osun, Ogun and Kwara states. The state is characterized by two distinct seasons, the raining and dry seasons. The annual rainfall varies from 1150mm to 2000mmm, which is responsible for the luxuriant climatic condition enjoy by the state. The preponderance of the rural population in Oyo State, lends relevance to any rural development study carried out in the area. Primary data were collected from 130 beneficiaries and 130 non – beneficiaries from the Bank of Agriculture Mobile Credit Office at the Zonal Headquarters of the Bank, in the State Capital Ibadan, through systematic random sampling technique using structure questionnaire. Secondary data were obtained through survey of existing literature, banks journal and other research works relevant to the study. Data collected were analysed using descriptive and inferential statistics like frequency counts, percentages Chi – Square, and Pearson Product Moment Correlation (PPMC).

RESULTS AND DISCUSSION

Socio – economic characteristics of farmers

Table 1 shows that majority (50.0%) of the beneficiaries and non – beneficiaries (52.3%) were within the age bracket of 41 – 50 years, with a mean age of 45.5 years. This findings supported the report of Ekong (2003), Ogunfidimi (1981) and Oyeyinka (2002) which opined that most Nigeria Farmers are between 45 – 50 years of age, the aged people are not as adventurous as the young ones who explore new horizons for green pastures, and hence the tendency for middle aged people taking to farming as a vocation with the utilization of agricultural credit facilities to adopt new agricultural technologies.

Also, majority (86.2 and 90.8% respectively) of the beneficiaries and non – beneficiaries were males while a small proportion (13.8 and 9.2% respectively) were females. The implication of this finding is that more women should be encouraged to access credit from the Bank of Agriculture (BOA) credit scheme. Further, more 92.3% of the beneficiaries and 93.8% non – beneficiaries were married, while just 4.6 and 3.8% of the beneficiaries and non beneficiaries were single respectively. This shows that majority of the sampled farmers in Oyo State, were married. This could imply a cooperation between wives and husbands in the study area providing encouragement to either spouse to access BOA credit facilities.

On literacy level Table 1, shows that 53.8% of the beneficiaries and 60.0% of the non – beneficiaries could not read and write in English Language. Also, 38.5% of the beneficiaries and 35.6% of the non – beneficiaries could communicate only in English, while 17.7% and 5.4% of the beneficiaries and non – beneficiaries respectively could read and write in English language. The beneficiaries are more literate than the non – beneficiaries.This could be the bane of their in ability to obtain credit facilities due to the completion of certain complicated formalities associated with loan disbursement by the Bank of Agriculture (BOA).

On household size, Table 1 further shows that, 75.4% of the beneficiaries and 71.5% of non – beneficiaries have a family size of between 10 and 20 family members. This findings support the assertion that many of the farmers in the rural community of Oyo State practice polygamy, which eventually lead to large family size. The more the member of the family, the more the commitment of the farmers' in terms of school fees, clothing and other related family expenditure. This trend could encourage the diversion of loan collected to other activities that are inimical to the proper use of the loan for intended purposes.

Table I shows that 60.0% of beneficiaries and 57.7% of non beneficiaries were involved in arable crop production, while 12.3% of the beneficiaries and only 1.5% of the non – beneficiaries were civil servants. This findings points to the fact that there is need to focus the attention of the Bank of Agriculture (BOA credit scheme to its target audience,which primary are small scale farmers.An appreciable proportion of the beneficiaries revealed in this study is a danger signal and subtle manipulation by civil servants who used their priviledge position to accessed the credit.

Table I shows that more than one – half of the beneficiaries (56.8%) and (38.5%) of non – beneficiaries have a farm size of between 6 – 10 hectares. Only 0.8% of the beneficiaries and none of the non – beneficiaries had above 20 hectares of farmland. The implication of this findings is that those farmers who were beneficiaries of the Bank of Agriculture (BOA loan scheme cultivated more land than those without access to credit facilities. Therefore, more funds should be provided to the farmers so as to increase their farm size and boost food crop production in the study area.

Other sources of Credit

Table 2 shows that, 58.4% of the beneficiaries did not rely on any other sources of credit, besides the Bank of Agriculture (BOA) credit scheme. The reason adduced for this, was that most of the other sources of credit are unreliable and also they charged exorbitant interest rates which make repayment of loan difficult for the beneficiaries. However, 84.6% of the non – beneficiaries depended on other sources of credit such as money lenders and relatives, due to their inability to secure loan from the Bank of Agriculture loan scheme.

Numbers of times of application for loan:

Figure 1, indicated that, over one–third of the non–beneficiaries (35.4%) were new applicant, while the beneficiaries were just (0.8%). Majority of the beneficiaries (41.6%) applied for the loan between 3-4 times, while the non–beneficiaries were just (19.4%). The high frequency of application from the beneficiaries for the Bank of Agriculture (BOA) credit scheme might be due to their high literacy level, which has enable them to know the procedure and process of credit application, disbursement, and utilization.

Table I: Distribution of farmers by their socio – economic characteristics.

Variables	Beneficiaries n = 130		Non-beneficiaries n=130	
	Frequency	Percentage	Frequency	Percentage
Age				
Less than 20 years	5	3.8	3	2.4
20 – 30 years	10	7.7	16	12.3
31 – 40 years	23	17.1	19	14.6
41 – 50 years	65	50.0	68	52.3
Above 50 years	27	20.8	24	18.4
Sex				
Male	112	86.2	118	90.8
Female	18	13.8	12	9.2
Marital Status				
Single	06	4.6	05	3.8
Married	120	92.3	122	93.8
Widow/Widower	04	3.1	03	2.4
Literacy Level				
Can read & write English	20	15.4	07	5.4
Can nor read & write English	40	30.8	78	60.0
Can speak English only	70	53.8	45	35.6
Household Size				
Less than 10	28	21.5	36	27.7
11 – 15	42	32.5	48	36.9
16 – 20	56	43.1	45	34.6
Above 20	04	3.1	01	0.8
Primary Occupation*				
Arable crop farming	78	60.0	75	57.7
Livestock farming	28	21.5	26	20.0
Mixed farming	21	16.2	20	15.4
Food processing	21	16.2	18	13.4
Civil servant	16	12.3	02	1.5
Artisan	20	15.4	08	6.2
Farm Size				
1 – 5 hectares	0.3	2.4	38	29.2
6 – 10 hectares	74	56.8	50	38.5
11 – 20 hectares	52	40.0	42	32.3
Above 20 hectares	01	0.8	-	-

* Multiple Responses

Table 2 – Distribution of Respondents by Other Sources of Credit

Variables Response	Beneficiaries n = 130		Non-Beneficiaries n = 130	
	Frequency	Percentage	Frequency	Percentage
Commercial Banks	14	10.8	08	6.2
Cooperative Society	08	6.6	20	15.4
Agro-allied venture	09	6.2	10	7.7
Money lenders	12	9.2	42	32.2
Relative/friends	04	3.1	24	18.4
Sales from crops	07	5.4	06	4.6
Not applicable	76	58.4	20	15.4
Total	130	100.0	130	100.0

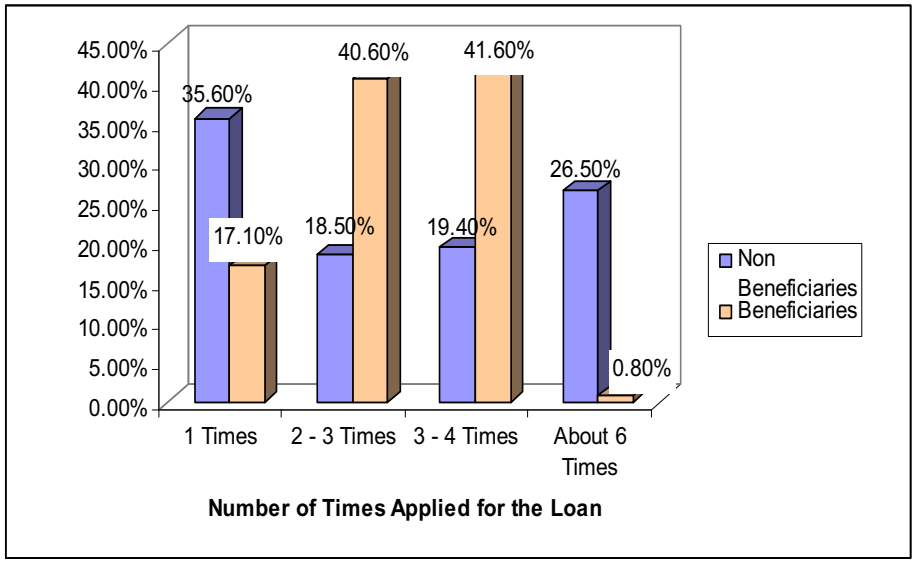

Figure 1: Distribution of respondents by number of times they had applied for loan

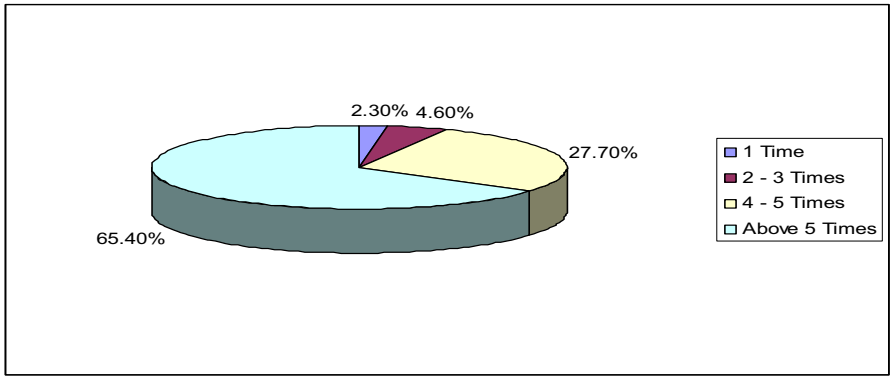

Figure 2: Distribution of respondents by number of times respondents benefited from the loan

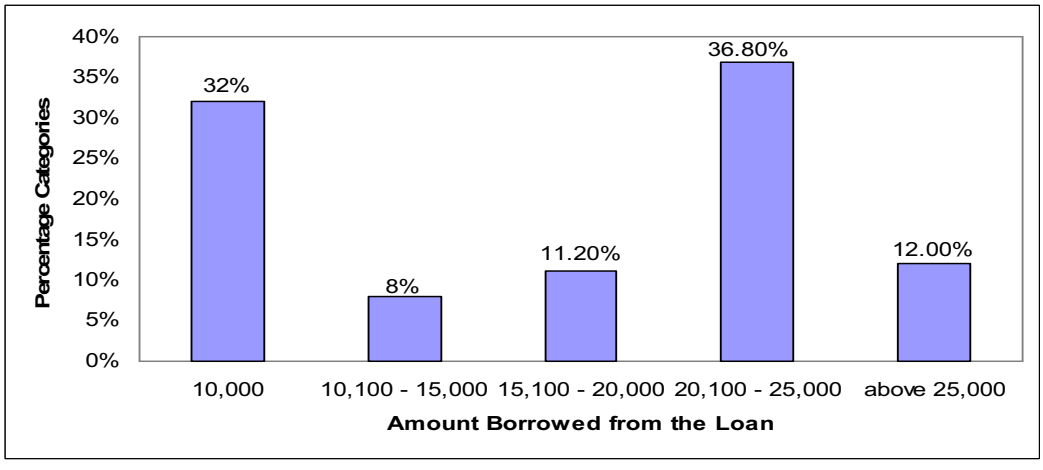

Figure 3: Distribution of respondents by amount borrowed from the scheme

Number of times respondents benefited from loan scheme

Figure 2 shows that, majority (65.4%) of the beneficiaries of the loan scheme had the opportunity of obtaining the loans once, 27.7% got it 2 -3 times, 4.6% secured it 4 -5 times, while just 2.3% obtained the loan more than 5 times. The implication of this is that, a few number of the beneficiaries had access to the loan scheme. Perhaps the delayed associated with the loan disbursement that had characterize the credit scheme could explain the trend observed in this findings. Delay in loan disbursement can result in either the loan missing its intended utilization or increase in the number of visits to the bank by the farmers (Olomola, 1994 and Oyeyinka, 2002). Increases in number of visit imply increase in the cost of production.

Amount borrowed by the farmers.

Figure 3 shows, that, a high proportion of the beneficiaries (51.2%) got between ₦10,000 and ₦20,000 loan, while (36.8%) got between ₦20,000 and ₦25,000. A few of them (12.0%) secured a loan of above ₦25, 000. The implication of this is that, the amount disbursed as loans to farmers was too small especially if one considered the high cost of agricultural inputs and chemicals. It would be suggested that, the amount loan able to the farmers in the future should be based on the current economic value of the naira.

Loan utilization by farmers;

The non – interest borrowing transaction cost of loans and timeliness tend to be more important to the farmers, this affects their utilization (Olomola, 1994 and Oyeyinka, 2002). Table 3 shows that (52.3%) of the beneficiaries and (35.4%) of the non – beneficiaries requested for the loan to hired labour, 16.2% of the beneficiaries and 10.0% of the non – beneficiaries need the loan to increase farm size, 13.8% of the beneficiaries and 9.2% of the non – beneficiaries required the loan to improve their standard of living, 3.8% of the beneficiaries and 29.2% of the non – beneficiaries applied for the loan to solve family problems, 6.2% the beneficiaries and 12.4% of the non – beneficiaries required the loan to pay children school fees, while 7.7% of the beneficiaries and 3.8% of the non – beneficiaries gave purchase of fertilizers and chemicals as the reason for the application of loan. However weeding which is the tedious aspect of farm work could not be carried out by the use of chemicals, because they are inadequate and very expensive. So the farmers had to rely on manual weeding. The rural labour de-capitalization had made labour scare and expensive, hence over–half of the loan was spent on hiring labour.

Table 3 – Distribution of farmers by loan utilization

Variables Response	Beneficiaries n = 130		Non-beneficiaries n=130	
	Frequency	Percentage	Frequency	Percentage
Increase farm size	21	16.2	13	10.0
Improve living standard	18	13.8	12	9.2
Purchase fertilizers & chemical	10	7.7	05	3.8
Hired labour	68	52.3	46	35.4
Solve family problems	05	3.8	38	29.2
Pay children schools fees	08	6.2	16	12.4
Total	**130**	**100.0**	**130**	**100.0**

Suggestions on how the loan scheme can be improved.

Table 4 shows that, majority (78.4%, 80.0%, 85.3% and 75.4%) respectively of the beneficiaries suggested that the loan scheme can be improved upon through the; increase in loan amount, reduction of interest rate, disbursement of loan on time, and adequate information from extension agents. While a large proportion of the non – beneficiaries (78.4%, 80.0%, 73.0% and 76.9%) respectively were of the opinion that monitoring of loan by extension agents, prosecuting of loan defaulters, establishment of more branches of bank of agriculture (BOA), and simplification of loan procedures are the panacea to effective credit disbursement and utilization. Based on the above suggestions, it is therefore pertinent for government to make use of some of these ideas, so as to ameliorate the problems encountered by farmers during loan processing application.

Socio – economic factors affecting loan utilization

The result of the Chi – square analysis in table 5 shows that, there is no significant association between respondents age (χ^2 = 2.52, P > 0.05), sex (χ^2 = 3.84, P > 0.05), marital status (χ^2= 0.02, P > 0.05), and literacy level (χ^2 = 1.23, P > 0.05), and credit utilization. However respondents household size (χ^2 = 17.16, P > 0.05) had significant effect on credit utilization. Also table 6 shows that, there was no significant relationship between respondents primary occupation (r = 0.42) and credit utilization. However, the effect of secondary occupation (r = 13.04), sources of labour (r = 17.14) and farm size (r = 14.83) and credit utilization were markedly significant.

Table 4: Distribution of farmers by suggestions on how the credit scheme can be improved

Suggestions	Beneficiaries n = 130		Non-beneficiaries n=130	
	Frequency	Percent	Frequency	Percent
Increase in loan amount	102	78.4	64	49.2
Reduction of interest rate	104	80.0	82	63.0
Disbursement of loan on time	111	85.3	84	64.6
Adequate information from extension agents	74	56.9	102	78.4
Prosecuting of loan defaulters	56	43.0	104	80.0
Establishing more loan bases	77	59.2	95	73.0
Simplification of loan procedures	76	58.4	100	76.9

Multiple Responses

Table 5 Chi-Square (χ^2) analysis of association between socio–economic characteristics and the level of credit utilization

Variable	χ^2 Calculation	DF	P	Contingency co-efficient	Decision
Age	2.52	4	0.831	0.23	NS
Sex	3.84	1	0.060	0.15	NS
Marital status	0.02	2	0.883	0.22	NS
Literacy level	1.23	2	0,936	0.26	NS
Household size	17.16	3	0.001	0.001	S

S = significant at 0.05
NS = Not Significant at 0.05

Table 6: Product Moment Correlation analysis of relationship between socio – economic characteristics and the level of credit utilization

Variables	'r' Value	P – value	Decision
Primary Occupation	0.42	0.676	NS
Secondary Occupation	13.04	0.04	S
Sources of Labour	17.14	0.001	S
Farm Size	14.83	0.018	S

S = significant at 0.05, NS = Not Significant at 0.05

CONCLUSION AND RECOMMENDATIONS

The study concludes, that the socio – economic factors influencing the disbursement and utilization of Bank of Agriculture (BOA) credit scheme are, household size, secondary occupation, sources of labour and the farmers farms size. Also, it was observed that giving adequate credits, at the right time and at a considerable interest rate will go a long way in enhancing prompt utilization of the credit facility. Therefore the study recommends, that the amount loan able to the farmers in the future should be based on the current value of the naira, also more loan bases or offices of the Banks should be established in the study area.This will facilitate the disbursement of credit to beneficiaries on time

or as at when due. It will be beneficial to the Bank and indeed the farmers ,if the credit mobile officers liase with the extension agents who operate at the village/cell level.This will enhance the monitoring and simplification of loan procedure.

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