Determinants of Access to Credit by Farming Households in Rural and Peri-Urban of Akinyele Local Government Area, Oyo State

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Abstract: **- The research work investigated the determinants of credit access by rural farming households in Akinyele Local Government Area Oyo state. The study employed both descriptive and inferential statistics. In the study area, most respondents were literates especially those in the peri-urban parts of the Local Government Area. This set had access to different forms of credit although nongovernmental, as against their rural counterparts where a lot did not have access. Different collateral items used involved certificates, building and vehicle particulars including their salaries. Creditors closely monitored debtors to ensure recovery of funds.Inferential analysis shows that sex, experience, labour and contact with monitoring and extension officials were the main factors affecting access to credit in the study area.**

***Keywords*: Credit, Rural and Peri-urban**

I. INTRODUCTION

Essence of funding to Agriculture

Agricultural funding becomes imperative because of the importance of Agriculture itself. It provides food in terms of adequate nutrition to nations buttress and beef up the health and wellbeing of their people. It is a residual source of employment to a larger proportion of the population. Most people return to agriculture when other sources fail with little or no protocol. It is the source of raw materials to the Agribusiness, pharmaceutical and other allied businesses worldwide. Agriculture in Nigeria has been funded essentially by private savings, governmental allocations, agricultural credit schemes and foreign investments. Few farmers can save enough from their meager earnings to take full advantage of the ever increasing range of improved agricultural technologies (NAERLS (1992).

According to Sanusi L, (2011), about 90 percent of Nigeria's food requirement is produced by small scale farmers who constitute the majority of the nation's poor. He claimed that a myriad of factors are blamed for this condition, both natural and man-made.. A very important and key factor is lack of access to finance and the resultant inability to invest in basic farming inputs such as seedlings, fertilizers, implements and irrigation. As a result, their yields have remained largely stagnant, leading to pervasive hunger and poverty. Similarly, little or no commercial funding is available to those aspiring to build businesses that could enhance food production and enable farmers to earn sustainable profit. Therefore, they need credit, aids, grants or subsidies to supplement personal sources, Okoro and Nwali (2017). Agricultural funding creates access to capital for the purpose of farming which payment is to be made at an agreed future time. It is important that this funding be provided for at the very moment it is needed in agriculture because most operations like planting, weeding vaccinating are time-specific. Essentially, agricultural funding aims at facilitating the flow of credit to farmers to enable them adopt new technologies and farm practices designed to raise their productivity and incomes. Its target is to ensure that adequate funds are provided to the agricultural sector on reasonable terms from the mainstream of the financial system. Left on their own, the financial institutions prefer lending to large scale investment outside the agricultural sector because of their huge profits, prompt returns, shorter gestation periods of enterprise and quick turn over, Okoro and Nwali (2017). According to Ahmed A (1990), private foreign investment in agriculture has been relatively insignificant in Nigeria, foreign companies and nationals have made little direct investments in agricultural production and research. However, since the late 1970s, there has been an appreciable inflow of loans, grants and technical assistance from the foreign governments and international financial institutions such as the World Bank Group. One of such foreign financial involvements is the Agricultural Development Projects (ADPs). It is estimated that since inception, nearly N2 billion have been invested in the projects which are basically designed to enhance the productivity of peasant farmers and facilitate their access to basic farm inputs.

Credit is a necessary ingredient in the various aspect of farming operations, and therefore plays a crucial role in economic development and is indispensable in the process of socio-economic transformation [Ijere, 1998]. Limited access to credits perpetuates poverty and low quality of life among farmers. This is because some of the innovations which the farmers wish to adopt may be too expensive to procure if they have restricted access to credit facilities or do not have access at all (Kolade *et al*, 2011).

Agriculture is a significant sector in Nigeria's economy and the economic mainstay of the majority of households in Nigeria (Amaza, 2000; Udoh, 2000). It contributes about 45% of the GDP, employs two-third of total labour force and

provides livelihood for over 90% of the rural population. The sector is dominated by smallholder farmers accounting for over 90% of the total output while more than half of the farmers produce only food crops including roots and tubers such as cassava (IFAD, 2001). At the same time, agriculture in developing countries generates on average 29% of GDP and employs 65% of the labour force (World Bank, 2008).

With the foregoing, the study specifically addressed the following objectives:

i. examine the socio-economic characteristics of the respondents in the study area
ii. identify the sources of credit of the respondents in the study area
iii. identify the constraints faced the respondents in the study area
iv. determine the factors affecting access to credit in the study area

II. MATERIAL AND METHODS

Methodology

Area of study

Akinyele Local Government Area lies between Latitude $7^0 29^{'}$ to $7^0 40^{'}$ and Longitude $3^0 45^{'}$ to $4^0 40^{'}$. The total land area is about 219.2km^2. Further, the area is bounded in the North by Afijio Local Government Area, in the West by Ido Local Government Area, in the South by Ibadan North Local Government Area and in the East by Lagelu Local Government Area and Osun State. The Local Government is divided into 12 electoral (political) wards, namely Ikereku (Ward 1), Labode / Oboda / Olanla (Ward 2), Arulogun (Ward 3) , Onidundu / Amosun (Ward 4), Ojoo (Ward5) Ajibode(Ward6) Orogun (Ward7) Owe / Kankon (Ward 8), Ijaye (Ward 9), Alabata (Ward 10),Okegbemi / Melee (Ward 11) and Iroko (Ward 12).

Sampling Techniques and Size

A multistage sampling technique was used in selecting the respondents in the study. The first stage employed purposive selection of 4 wards from Local Government Area, 2 wards from the core rural and 2 wards form the peri-urban. Ojoo and Ajibode were selected from the peri-urban while Okegbemi/Melee and Iroko were selected in the rural. The second stage involved random selection 30 respondents form the chosen wards to arrive at a total of 120 respondents. The data collected for this research were primary done through the administration of a well-structured questionnaire.

Method of Data Analysis

The analytical tools used were descriptive and inferential statistics. The descriptive statistics include means, percentages, and frequency distributions. Logit regression model was employed to identify the determinants of agricultural credit acess in the area. The model is specified in implicit form as:

$$\log Y = \log\left(\frac{P}{1-P}\right) \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (1)$$

$$\log\left(\frac{P}{1-P}\right) = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_{11} X_{11} + \mu \ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots\ldots (2)$$

Where;

$Y = access\ and\ non - access\ to\ credit\ (\ dummy\ variable, access\ to\ credit = 1\ and\ zero\ to\ non - access\ to\ credit\ )$

$P = Probability\ of\ access\ to\ credit$

$1 - p = Probability\ of\ non - access\ to\ credit$

$\beta_0 = constant$

$\beta_1 - \beta_9 = logistic\ regression\ coefficients$

$X_1 = Age\ of\ the\ respondents$

$X_2 = Educational\ status\ (number\ of\ years\ spent\ in\ school)$

$X_3 = Sex\ (1 = male; 0 = female)$

$X_4 = Years\ of\ farming\ experience$

$X_5 = Household\ size$

$X_6 = Main\ occupation\ (dummy\ variable, 1 = farming; 0 = other\ activities)$

$X_7 = Farm\ size\ cultivated\ (Ha)$

$\mu = Stochastic\ error\ term$

Table 1:Handles Objectives One, Two And Three.

Variable	Frequency	Percentage
Sex: Male	**82**	68.3
Female	**38**	**31.7**
Marital Status: Single	**22**	**18.3**
Married	**72**	**60.0**
Divorced	**26**	**21.7**
Education: None	**14**	**11.7**
Primary	**16**	**13.3**
Secondary	**45**	**37.5**
OND	**27**	**22.5**
HND.	**15**	**12.5**
University	**3**	**2.5**
Farming Experience: Years		
< 10	**29**	**24.2**
10-20	**58**	**48.2**
21-30	**29**	**20.8**
>30	**4**	**6.8**

Other occupations:		
Civil service	**45**	**38.0**
Trading	**21**	**17.5**
Farming only	**53**	**44.5**
Land Acquisition: Rent	**29**	**24.2**
Purchase	**35**	**29.2**
Lease	**9**	**7.5**
Inheritance	**47**	**39.1**
Types of credit: None	**35**	**29.2**
Money lenders	**11**	**9.2**
Cooperative Societies	**25**	**20.8**
Banks/Micro financial houses	**34**	**28.3**
Esusu/Ajo	**15**	**12.5**
Collaterals used: None	**35**	**29.2**
Certificates/Guarantors	**37**	**30.8**
Vehicle/Building Particulars	**13**	**10.8**
Salary/Others	**35**	**29.2**
Visitation by officials/Extension agents		
None	**35**	**29.2**
Monthly	**59**	**49.2**
Quarterly	**23**	**19.1**
Yearly	**3**	**2.5**
Constraints faced		
Lack of collateral security	**89**	**74.2**
High interest rate	**12**	**10.0**
Lack of required qualifications	**10**	**8.3**
Lack of appropriate information	**6**	**5.0**
Others	**3**	**2.5**

III. DISCUSSION OF FINDINGS

Socio-Economic Characteristics of the Respondents

Distribution of Respondents by Sex

The result on Table 1 shows the distribution of respondents by sex. The Table showed that 68.3% were males and 31.7% were females.

Distribution of Respondents by Marital Status

The table 1 shows that 18.3% of the respondents were singles, 60% were married, 21.7% of the respondents were divorced .Marriage confers emotional stability on the respondents hence most of the respondents could display high level of maturity and responsibility especially when paying back loans.

Distribution of Respondents by Education Level

The result on Table 1 shows the distribution of respondents by education. The table indicates that 11.7% of the respondents had no formal education , 13.3% of the respondents attended primary schools ,37.5% of the respondents attended secondary schools,22.5% of the respondent had OND certificate, 12.5% of the respondents had HND certificate ,2.5% of the respondent obtained first degrees. This reveals that 88.3% of the respondents had one form of education or the other. The educational background of farmers is an important determinant in farm production and adoption of agricultural technologies.

Distribution of Respondents by Farming Experience

The result on Table 1 shows the distribution of respondents by farming experience. The table indicates that 24.2 % had less than 10 years of farming experience, 48.2% had between 10-20 years of farming experience, 20.8% had between 21-30 years of farming experience, and 6.8% had greater than 30 years farming experience. The result shows that most of the respondents had experience in farming activities which might help them in handling information and inputs effectively.

Distribution of Respondents by Other Occupations

The result on Table 1hows the distribution of respondents by other occupations they engaged in apart from farming. The results shows that 38% of the respondents combined civil service job with farming, 17.5% of the farmers were into trading and 44.5% of the respondents were practicing farming only.

Distribution of Respondents by Land Acquisition

According to Table 1, 24.2% of the land acquisition was through rent, 29.2% through purchase, 7.5% through lease and 39.1% through inheritance. The respondents in the peri-urban rented, purchased or leased land while those in the rural depended on land inherited form their forefathers .The basis of land acquisition in the study area especially in the rural part remained inheritance.

Distribution of Respondents by The Types of Credit Accessed.

The result from Table 1 revealed the distribution of respondents by the choice of credit. The result revealed that 29.2% had no access to credit, 9.2 % had access to money lenders, 20.8% had access to cooperative societies, 28.3% had access to commercial banks and micro financial houses while 12.5% had access to the traditional daily contribution known as *Ajo/Esusu*. While respondents in the peri-urban depended on commercial banks, microfinance, the daily contribution and the cooperative societies, their rural counterparts rested on either the traditional cooperative societies or had no access at all. The traders in the peri-urban used the daily contribution to the best. The arrangement allowed the contributor to have the whole month contribution by the fifth day as credit when mutual trust had been established by the two parties. Another advantage is the movement of the vendors. They meet the

contributor at the doorstep of his business workplace, at a time that is most convenient for his sales even in the night for the liquor sellers. Their motor bikes used are fitted with a peculiar horn that heralds their presence.

Distribution of Respondents by Collateral Submitted

The result from Table 1 shows the collaterals that the respondents used to secure credits, 29.2% had no credit hence no collateral, 30.8% used certificates and individual guarantors, 10.8% used the certificate of occupancy of their residential buildings and vehicle particulars, and 29.2% used their salary or any other materials that had been agreed to by the creditors. Those that used salary were mainly civil servants who domiciled their monthly salary to an account in the banks or micro finance banks where they borrowed with the knowledge of their establishments.

Distribution of Respondents by Visitation of Officials/Extension Agents.

The result from Table 1 shows how often officials from the institution that the respondents got the credit from visited the respondents,29.2% were not visited because they had no access to credit,49.2% were visited monthly,19.1% were visited quarterly while 2.5% said they were visited annually. Visitation by the creditor officials becomes imperative in order to monitor the activities of the debtors. This also becomes important to make sure the debtor did not change address or work and even the salary accounts. The little activities of the extension agents were noticed in the remotest area of Melee which respondents claimed happened annually.

Distribution of Respondents by Problems Encountered In Securing Credit

The result from Tableb1 shows various problems faced by the respondents in securing credit. Most respondents 74.2% were faced with lack of collateral security, 10.0% were faced with the problem of high interest rates, 8.3% were faced with lack of required qualifications, 5.0% were faced with lack of appropriate information, and 2.5% were faced with other problems.

Factors Affecting Access to Credit in the Study Area

Logit Regression

Table 2: Logit Result

	Coefficient	Std Error	p-value	Mfx
Sex	1.228	0.6633	0.064***	0.153
Education	-0.512	0.473	0.279	0.329
Experience	0.452	0.423	0.086***	0.017
Labor	5.409	1.345	0.000*	0.000
Farm size	-0.357	0.687	0.603	0.619
Visitation by officials	-0.360	0.465	0.003*	0.023
Constant	-0.939	1.943	0.629	
Number of observation	119			
LR chi2(7)	63.56			
Prob>chi2	0.0000			
Pseudo R2	0.4408			

*, *** represent 10% and 1% levels of significance

The result of the logit regression in table 2 shows that in the study area, sex, labour, experience and visitation by officials and extension agents were the main determinants of access to credit. Sex impacted positively and it is significant at 10%. This indicates that being male or female increased the likelihood of having access to credit. Males had upper hands in borrowing from banks while females were pronounced in Ajo and Esusu. Experience also impacted positively and it is significant at 10% level. Labour utilized also impacted positively and it is significant at 1% level. Desire to have more labour increased the likelihood of having access to credit. Increase in labour both in number and cost may compel the farmer to seek for credit. However, contact with official and extension agents impacted negatively on access to credit. Although, it is significant at 1% level, contact with officials or extension agent decreased the likelihood of having access to credit in the study area may be because of their strict monitoring and imposing character.

In conclusion, formal credit formats were noticeable in the peri-urban of the study area without any government agency intervention. The determinants of access to credit were sex, experience, labour and contact or visitation by credit officials.

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