

RURAL CROP FARMERS AND ACCESS TO FINANCIAL SERVICES IN IMO STATE

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Abstract

There is a global consensus that the modern society is experiencing tremendous food crisis. Achieving food security has therefore been one of the cardinal issues in recent times. Efforts are continually being made to combat the food problem in recent times. In Nigeria such efforts include the establishment of various agricultural credit schemes to make additional credit available to farmers. In spite of these establishments, a large number of farmers in Imo State are still entrapped in subsistence farming due to financial constraints. This paper therefore examined the various sources of capital used by farmers in Imo State and the constraints faced by farmers in accessing formal credit facilities. It also examined the differences in the quantity of food crops produced between farmers who accessed external capital and those who used personal savings to farm. The study adopted survey research design. The main instrument for data collection was questionnaire. A proportionate random sampling was used to select the study locations. Finally a purposive sampling technique was used to select the respondents. 648 copies of questionnaire were distributed. At the end a total of 519 copies of the questionnaire were returned. This therefore formed the sample size. Data analysis involved descriptive statistics for objectives i, and ii, while t-test statistical model was used to test the hypothesis. The study revealed that the most available source of capital was personal savings, closely followed by Isusu (local thrift). Among the constraints faced by farmers in access to formal credit facilities, non availability of credit facility accounted for the highest while lack of collateral was identified as the second highest constraint. It was also found that there was no significant difference in the quantity of food crop produced between farmers who accessed additional credit and those who used personal savings. This was probably because majority of the additional credits came from informal sources whose operating capacity is usually low. It was therefore recommended among others that: the number of finance lending institutions should be increased in rural areas and be made more accessible to local farmers by making the type of collateral optional and more affordable. Government and cooperate organizations should partner with the informal credit institutions in order to improve their lending capacities.

Introduction

Nigerian agricultural sector is still in entrapped in low productivity. This is evident in the small scale farm holdings and use of local implements by the farmers. This dismal situation is more threatening in the Southeastern part of Nigeria, including Imo State. For instance, a study carried out by Kanu (2012) in Imo State revealed that generally the rural crop farmers cultivated small farm sizes, as about 93% of the cultivated farms were between 0-2 hectares of land. This was mainly attributed to low capital capacity of majority of the farmers.

Previous studies; Balogun (2009); Ironkwe, Asumugha, Ekwe and Okoye (2009) have shown that agricultural production in Nigeria is continually on a decline. Ekong (2003) acknowledged that Nigerian farmers still depend largely on private savings in financing farming enterprises. Majority of these farmers are poor and cannot save from their meager income. Eze (2002) asserted that the slow pace of agricultural production was attributable to, among other factors, the poor financial status of rural farmers which explains the low investment levels and productivity of the people. Similarly, Nwakor, Ifenkwe and Azoro (2010) identified lack of fund as one of the major constraints to agricultural production.

The importance of capital to rural crop farmers cannot be over emphasized. Nwaru and Nnadozie

(2005) noted that with adequate capital at hand, farmers can purchase the necessary farm input and improve farm practices. Credit in the hands of farmers will enable them to reap the economics of scale, discover new and better products create demand where non-existed and provide utilities to satisfy a widening market (Ijere and okorie 1998). Credit therefore has the capacity to motivate other factors of production such as land, labour and technology. It increases the ability of farmers to purchase other necessary inputs such as improved seeds/seedlings, farm tools, breeds of livestock as well as agro chemicals. It is in line with this that Nwaru and Nnadozie (2005) stated that credit is necessary for diversified production and efficiency in agricultural resource use. Ogunfowora *et al* (1992) quoted by Ogunnade (2010) noted that in developed countries like USA, Denmark, Italy and Belgium, agricultural credits have yielded rapid agricultural development. Perhaps it was in line with this that Nigerians government introduced agricultural policies in 1969. The introduction of these policies was basically to facilitate farmers' access to credit to enable them to improve productions.

Since inception several agricultural credit schemes have been developed, namely; Nigerian Agricultural and Creative Bank (NACB) which was later changed to Nigerian Agricultural Co-operative and Rural Developments Bank

(NACRDB), Rural Banking Scheme (RBS), Agricultural Credit Guarantee Scheme Fund (ACGSF) among several others.

However, in spite of the establishment of these financial support programmes, a large number of farms in Imo state are still personally funded. This study therefore was embarked upon to: (i) identify the various sources of credit available to rural crop farmers in Imo state; (ii) identify problems associated with access to credit facilities. The research hypothesis include: there is no significant difference in the quantity of food crop produced by those who had access to additional credit and those who used personal savings to farm. This study will facilitate the understanding of various sources of capital available to farmers for agricultural production in Imo state, the main constraints to accessing formal credit and measures to combat such constraints in Imo State.

Materials and Methods

The study was carried out in Imo State. Imo State is made up of 38 Blocks and 326 Circles, distributed unevenly across the three agricultural zones, namely Owerri, Orlu and Okigwe Zones. A proportionate random sampling was used to select 6 Blocks from Owerri, 3 Blocks from Orlu and 3 Blocks from Okigwe. For convenience, 3 circles were selected from each selected Block. This gave a total of 36 Circles used for the study.

The sample frame was the ADP list of contact farmers. Due to the large size of the target population (rural crop farmers), the researcher made use of creative research (2007) formula to determine the sample size that would be used for effective distribution of the questionnaire. The formula gave 600, however for even distribution of the questionnaire across the 36 circles selected, 648 copies of the questionnaire were distributed. At the end a total of 519 copies of the questionnaire were returned. This therefore formed the sample size. A well structured questionnaire was used for the study. However, In-depth Interview schedule and Focus Group Discussions were also employed. Data analysis involved descriptive statistics and use of t-test statistical model. The objectives were analysed with simple percentage while the hypothesis was tested with t-test statistical model.

Results and Discussions

Table 1 represents the socio-economic characteristics of the farmers. This revealed that 47% of the farmers were in the age category of 46-55 years, closely followed by 36% of the farmers who were in the age group of 56-65 years. Very few, 9%, were in the age category of 66-80 years. This is an indication that the farmers were still in their economic active and productive age. The table also revealed that majority, 86%, of the farmers were married. An insignificant

number, 6%, of the farmers did not attend formal education, 28% attended primary education, while 40% and 25% attended secondary and tertiary education respectively. The table also revealed that majority of the farmers had considerable years of farming experience, since 85% of the farmers have farmed for more than 10 years. 56% of the farmers had between 1 and 5 household sizes, 42% had more than 5 family members but less than eleven members. The large family size has negative implication for savings. Majority of the farmers cultivated between 1 and 2 hectares of land. This is closely followed by 38% of the cultivated farms that was less than 1 hectare. An insignificant number, 6%, of the cultivated farms were more than 2 hectares. This was mainly associated with lack of funds to expand production. It was discovered through the in-depth interviews and FGDs that some farmers had more farm lands than they cultivated but could not make use of them because they lacked the necessary fund to do so. The table also revealed that majority, 84%, of the farmers make less than N30,000 annually, 15% make between N30,000 and N60, 000 annually while very few, 1.4%, make more than N60,000 annually. This has a negative implication for the saving capacity of the farmers in view of their family and farm sizes. This therefore, explains the urgent need for external credit to enhance productivity of the farmers.

Furthermore, it was discovered that 58% of the farmers, which is more than half, were not members of cooperative society. Only 41% of the farmers belonged to cooperatives. This is not promising considering the fact that cooperative society serves as medium through which farmers can access financial services.

Table 2 represents the various sources of capital used for farming. The study revealed that majority, 64%, of the farmers used personal savings to farm, very few accessed capital through local means in the following order; local money lender 4%, relative/friend 9%, Isusu 19%. An insignificant number, 1%, had access to formal lending institutions (Micro finance Bank and commercial Bank). This result is in line with the views of Ekong (2003) that Nigerian agriculture is largely funded by private savings.

Table 3 represents problems associated with access to formal credit facilities.

From the results in table 3, it was discovered that the non availability of credit facility, 33%, was the major problem associated with accessing formal credit. This is closely followed by lack of collateral, 24%, and bottle neck in processing loan, 22%, respectively.

The result in table 4 above shows that there was no significant difference in the quantity of food crop produced between farmers who accessed additional credit and those who used personal capital to farm.

($t=0.29$, $P> 0.05$). The null hypothesis is therefore accepted. This finding is contrary to *a priori* expectation. This could be probably because the additional credits accessed by these farmers largely came from informal sources whose operational capacities are usually low and therefore cannot provide adequate financial services to the farmers.

Conclusion and Recommendations

Availability of credit is necessary for farmers to diversify their agricultural production and to be efficient in the use of agricultural resources, yet majority of farmers in Imo State still depend on personal savings to farm. However, some of the farmers were able to access additional credit, though most of these credits were sourced from informal lending institution. This is not promising

considering the fact that the financial capacity of these informal lending institutions is low. It is therefore recommended that the government should support the local lending institutions, for example Isusu, to beef up their operating capacities. In addition, more formal financial support service centers should be made available and accessible to the farmers. Private individuals and organizations should be encouraged to supplement the efforts of the government in achieving this. The use of collateral should be made optional for farmers to enable landless farmers to access loan. In relation to this, the use of traditional rulers, reputable family heads, group leaders, women leaders, youth leaders, membership of a recognized and viable organization, as guarantors should be accepted. There is also need to reduce the bottle neck involved in accessing formal financial services for farmers.

Table 1: Socio-Economic Characteristics of the Farmers

Variables	Frequency	Percentage
A) Gender		
Male	262	50.48
Female	257	49.52
Total	519	100
B) Age group		
30-40	41	7.90
46-55	243	46.82
56-65	186	35.84
66-80	49	9.44
Total	519	100

C) Marital Status

Married	448	86.32
Widow/Widower	55	10.60
Divorce/Separated	9	1.73
Single	7	1.35
Total	519	100

D) Level of Education

None	32	6.17
Primary	146	28.13
Secondary	210	40.46
Tertiary	131	25.24
Total	519	100

E) Farming Experience

1-10	76	14.64
11-20	224	43.16
21-30	161	31.02
31-40	47	9.06
41-60	11	2.12
Total	519	100

F) Household Size

1-5	289	55.68
6-10	219	42.20
11-15	11	2.12
Total	519	100

G) Farm Size

>1	201	38.73
1-2	284	54.72
Greater than 2	34	6.55
Total	519	100

H) Annual Income

Less than 30,000	396	76.30
30,000-60,000	45	8.67
Greater than 60,000	7	1.35
Total	519	100

I) Membership of cooperative society

Members	215	41.43
Non-Members	150	28.90
Total	519	100

Table 2 : Various Sources of capital accessed by the farmers

Source	Frequency	Percentage
Personal savings	334	64.35
Money lender	22	4.24
Relative/friend	46	8.86
Bank loan	30	5.78
Isusu	101	19.46
Multiple responses, total \neq 0		

Table3: Constraints to accessing formal credit by farmers

Problems	Frequency	Percentage
Bottle neck in processing credit	113	21.77
Non-availability of credit facility	169	32.56
Ignorance	25	4.82
Discouraged by relations/friends	12	2.31
Have no collateral to present	126	24.28
Apprehensive of paying back	12	2.31
Rate of interest demanded	62	11.95
Total	519	100

Table 4: Represents t-test result of Differences in quantity of food crops produced by the farmers who accessed external credit and those who used only personal savings.

variables	N	M	Std D	Df	t	Sig
Farmers with Personal credit	185	22162.7027	1.10170E5	517	0.29	0.77
Farmers with personal Savings	334	218057.1856	1.18391E5			

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