

EFFECTS OF CREDIT UTILIZATION ON YOUTH FARMERS' RICE OUTPUT IN PATIGI LOCAL GOVERNMENT AREA OF KWARA STATE, NIGERIA

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ABSTRACT

The study examined the effects of credit utilization on the output of the youth rice farmers in Nigeria. It also examined the sources of information on credit available to the farmers; the use of the credit and the problems encountered by the farmers in having access to credit. Primary data was used for the study. Descriptive statistics was used to analyze the data collected for the study. Results of the findings showed that "past experience" is the major source of information on credit used by the farmers, though the farmers prefer cooperative societies to every other source of credit information. Banks, cooperative societies and Esusu/saving groups are the major sources of credit to the farmers. The mean amount of credit obtained by the farmers is ₦132, 301. The most of the farmers spent their credits on fertilizers, seeds and farmland expansion. The major problems faced by the farmers in accessing credit are: insufficient amount, lack of collateral and high interest rates. However, the general effect of credit utilization by the farmers is increased output. It is therefore recommended that banks are situated in the study area and they should disburse sufficient loans to the farmers at affordable interest rates. The farmers should also form cooperative and savings groups in order to enjoy economies of scale in accessing credit facilities.

Keywords: Credit, effect, output, utilization, youth farmers and rice

INTRODUCTION

Agricultural growth in Nigeria is increasingly recognized to be central to sustained improvement in economic development. The sector plays a very significant role in food security, poverty alleviation and human development chain. The sector employs about 68 percent of the labour force, accounts for over 70 percent of the non –oil exports and provides over 80 percent of the food need of the country. However, in more recent years, there has been a marked deterioration in the performance of Nigeria's agriculture. The contribution of agriculture to the gross domestic product (GDP) which stood at an average of 56 percent in 1969 – 1964, declined to 47 percent in 1965 -67 and a further decline to 35 percent in 2002 -2004 (CBN, 2005). The major bane of agricultural development in Nigeria has been the lack of adequate capital by the small scale farmers, who form the bulk of agricultural producers in the country (Ike and Kaine, 2008). This has kept the agricultural sector of the economy under a largely primitive, subsistent and unproductive condition for a very long time. In response to the problem of poor resource endowment, peasant farmers tend towards cultivation of crops that require little investment during their gestation period. A popular example of such crop is rice, which has become a very important crop in Nigeria agriculture. Rice (*Oriza sativa*) is a major cereal in Nigeria. Being as important staple food of many households, rice production in Nigeria rose from 2.4 million metric tones in 1994, to 3.1 million metric tones in 2002, representing 29.2% rise in domestic production. However, despite the rise in domestic production, the demand/consumption of rice

far exceeds local production, precipitating an increase in the rice importation bill to as high as US \$160 million in 2003 (FAO, 2003).

Production of rice in Nigeria is mainly in the hands of small-scale youth farmers who are still using unimproved farming techniques and have little or no access to agricultural credit facilities. Actual yields of rice differ significantly from potential yield, and this has been attributed to low resource productivity (Federal Ministry of Agriculture, 1995). In an attempt to address the credit need of the Nigerian farmers, the federal government of Nigeria created specialized institutions such as the Nigeria Agricultural and Cooperative Bank (NACB) which later translated into the Nigeria Agricultural Cooperative and Rural Development Bank (NACRDB) to cater for credit needs in the agricultural sector. Various agricultural development schemes have also been introduced with the aim of encouraging the youth farmers and boosting food production through provision of credit facilities (Jibowo, 2005). However, little attempt has been made to look into the effects of these facilities on the production of the beneficiaries. This study therefore attempts to answer the following research questions: What are the sources of information on agricultural credit available to the youth rice farmers? What are the sources of credits available to the Nigerian youth rice farmers? How do the youth farmers make use of the credit available to them and what technology do they adopt to enhance effective utilization of the credit? Does credit utilization have any impact on the output of the farmers? What constraints limit the access of the Nigerian youth rice farmers to credit? The broad objective of this study is to examine the effects of credit utilization on the output of rural youth rice farmers in Nigeria. Specifically, the study described the socio-economic characteristics of the youth rice farmers; examined the sources of information on agricultural credit available to the farmers; examined the availability and use of credit by the Nigerian youth rice farmers; determined the youth's rice output before and after credit utilization; and identified factors affecting access to credit by the youth rice farmers in their production activities.

METHODOLOGY

This study was carried out in Patigi Local Government Area of Kwara State, Nigeria. It is located in the agro-ecological zone of the country. Patigi is made up of three emirates – Patigi, Pada and Lade - with a total population of 65,390 (Census, 2006). In these emirates there are rice producing villages. The people belong to the Nupe tribe of the country. The study area lies between latitudes 7^o45'N and 9^o30'N and longitudes 2^o30'E and 6^o35'E. The annual rainfall pattern extends between the months of April and October with minimum temperature ranging from 21.1^oC to 25^oC while maximum average temperature ranges from 30^oC to 35^oC (KWADP, 2006). A peculiar feature of Patigi is the presence of big rivers and extensive large sandy soil characterized the area. In most part of the study area, the soil is rich and fertile and the vegetation is typical arid Savannah. The main stay of Patigi economy is agricultural crops. These crops include rice, maize, groundnut, cassava, yam and cowpea.

As regards production of rice, Patigi Local Government is the home of the popular rice variety named after the name given to the Nupe people “Tapa” and this is mainly carried out by the youth. This explains why Patigi LGA was selected as the study area for this study. The selection decision is also based on the results of interviews with staff of the Kwara State Agricultural Development Project (KWADP). Data for this study was obtained from these youth farmers through administration of questionnaire augmented with personal oral interview. Out of the 120 interview schedules, 105 were found useful for analysis. However, the study also

sourced information from discussions with groups of youth rice farmers and other key informant including leaders of cooperatives and associations, and extension officers in the study area.

The study population comprised youth rice farmers across Patigi LGA. The study sampling technique was a two stage sampling procedure. The first stage was purposive sample selection of six major rice producing villages - two villages from each of the three emirates in Patigi LGA while the second stage involved the random selection of twenty youth rice farmers from each village, giving a total of 120 respondents.

The data collected during the study were subjected to descriptive statistics. The descriptive statistical analysis comprised frequency, percentage and mean which was used to analyse the socio-economic characteristics of study respondents, their source of information on agricultural credit, sources and use of credit, the output of the youth farmers before and after credit utilization as well as the problems faced in obtaining credit.

RESULTS AND DISCUSSION

Socio-economic Profile of Respondents

Table 1 presents the summary of the relevant socio-economic characteristics of study respondents. As farmers' age varies, they can become more or less risk averse in accessing credit for their farming operation. Young farmers are expected to be more flexible in their decision to access credit, that would improve their farm production and welfare. The mean age of the farmer respondents was 36 years and the farmers generally fall within the active farming age (Table 1). This implies that the rice farmers are young and agile enough to source for credit for their farming activities and have increased production from it.

The level of education of farmers could indicate their ability to use printed materials as source of information about credit facilities. Majority of the youth rice farmers in the study area are educated. This implies that the youth farmers are not likely to have much difficulty in understanding the methods and procedure for accessing credit facilities in the study area.

Table 1: Socio-economic Characteristics of the Respondents (n=105)

Characteristics	Frequency	Percentage	Mean
Age			38
18-25	18	17.1	
26-33	37	35.2	
34 - 41	31	29.5	
Above 41	19	18.2	
Education level			
Quranic	1	0.9	
Primary	6	5.7	
Secondary	76	72.4	
Tertiary	22	21.0	
Farming experience			15
≤ 5 years	6	5.7	
5 – 10 years	31	29.5	
11 – 15 years	28	26.7	
≥ 15 years	40	38.1	
Membership of Cooperative Society			
Yes	39	37.1	

No	66	62.9
Training on the Use of Credit		
Yes	18	17.1
No	87	82.9
Monitoring on the Use of Credit		
Yes	10	9.5
No	95	90.5

Source: Field Survey Data

The number of years that farmers have in farming business can imply their extent of farming knowledge on how to source for credit and use it for farming activities. As shown in Table 1, respondents have been involved in farming for about 15 years implying that these farmers are well knowledgeable on sources of agricultural credit. These farmers are also expected to be well acquainted with the use of these credit facilities.

Cooperative societies are good channels of sourcing agricultural credit collectively at low interest rate. Just about one-third of the youth rice farmers are members of agricultural cooperative societies. This implies that the farmers are less likely to obtain credit on individual basis as formal financial institutions tend to disburse credit to farmers through cooperative societies as this is an easier means of recouping the credit. Besides, majority (82.86) of the respondents are not trained on how to use credit facilities. Also, most of the youth farmers are not monitored by extension agents when using the credit. From, the foregoing one can infer that the respondents have lack the knowledge on the use of credit. This can prove harmful since the farmers could become heavily indebted and be unable to pay back.

Source of Information on Agricultural Credits by the Repondents

Table 2: Information on Agricultural Credit (n=105)

Characteristics	Frequency	Percentage %
Source of Information		
Radio	17	16.2
Television	19	18.1
Extension agent	15	14.3
Cooperate Society	15	14.3
Past Experience	25	23.8
Others	14	13.3
Preferred Source of Information		
Radio	24	22.9
Television	24	22.9
Extension agents	25	23.8
Cooperative society	32	30.5

Source: Field Survey Data

Table 2 shows that many (about 24%) of the respondents used past experience as their source of credit information, when compared to other sources. This could indicate that most of the respondents are not innovative or not open to innovation. The findings further reveals that the repondents prefer cooperative societies to other sources of credit information. This may be because cooperative societies provide other functions like mobilizing funds within the societies

for production and marketing of agricultural produce, obtaining both production and consumption credit for their members; and partly because as loans are obtained collectively, payment also becomes a collective responsibility as far as the lenders are concerned (Ugwumba, et al, 2008).

Availability and Use of Credit by Respondents

Access to credit facilities is an important determinant of the amount of credit available for farm operations. A large number of the farmers source for credit from banks. More than one-third of the respondents received at least ₦151,000 while only 13.33% of the respondents borrowed ₦50,000. The findings also revealed that the mean amount of credit obtained by the farmers is ₦132,301. This probably suggests the quest to adequately finance the various operations associated with rice production by the farmers.

The technology adopted with the aid of credit available is very important as it could determine the level of output from farm business. Many of the farmers spent their credit on fertilizers and seeds. The least utilization was on hiring of tractors and purchase of post-harvest equipment. From the foregoing one can infer that the low utilization of credit on tractors and post harvest equipment may be due to insufficient amount of credit received by the respondents.

Table 3: Sources and Use of Credit by Respondents

Characteristics	Frequency	Percentage
Source of Credits		
Friends	5	4.8
Relatives	14	13.3
Cooperative societies	25	21.9
Bank (Commercial/Agricultural)	34	32.3
Esusu/Saving groups	18	17.1
Others (gift)	9	8.6
Amount of Credit Collateral (₦)		
≤ 50,000	14	13.3
51,000 – 100,000	29	27.6
101,000 – 150,000	22	21.0
≥ 151,000	40	38.0
Use of Credit/Technology Adopted		
Purchased fertilizers	28	26.7
Expanded farmland	15	14.3
Hired tractors	5	4.8
Purchased post-harvest equipment	9	8.6
Paid labourers or hired more labour	12	11.4
Purchased seeds	21	20.0
Purchased herbicides	10	9.5

Source: Field Survey Data

Effects of Credit Utilization on Farmers' Output and Income

Table 4: Respondents' Output before and after Credit Utilization (n=105)

Characteristics	Frequency	Percentage
Output Level before Credit Utilization		
≤ 10 mt/ha	28	26.7
11 – 20 mt/ha	21	20.0
21 – 30 mt/ha	25	23.8
> 30 mt/ha	31	29.5
Rice quality before Credit Utilization		
Low	90	85.7
High	15	14.3
Output Level after Credit Utilization		
≤ 10 mt/ha	20	19.0
11 – 20 mt/ha	11	10.5
30 - 40 mt/ha	25	23.8
≥ 40mt/ha	49	46.7
Effects of Credits on Income		
Increase	100	95.2
Decrease	2	1.9
No effect	3	2.9

Source: Field Survey Data

Table 4 shows the output of the farmers before and after credit utilization as well as the quality of the output before the use of credit and the effect of credit on the farmers' income. Majority (85.7%) of the respondents produced low rice quality before credit utilization. This could be as a result of lack of credit to procure farm inputs. Analysis of the results also reveals that the mean output of the farmers before and after credit utilization were 26mt/ha and 39mt/ha respectively. This indicates an increase in the level of output of the youth rice farmers as a result of credit utilization. However, the level of output of the farmers still varies after credit utilization. This may be due to the fact that the respondents borrowed different amount of credit which determines their access to all of the resources on which they depend. Inadequate use of input and environmental factors may also be consequent upon the difference in their level of output.

While majority (95.2%) of the respondents agreed that the use of credit has helped to increase their annual average income, 2.9% of the respondents said it had no effect on their income while only 1.9% of the respondents lamented that their annual average income decreased instead of an increase after using the credit. The decrease effects of credit on income may be due to inefficient use of credit, inadequate use of improved inputs, diversion of parts of the credit either for consumption or other personal usage and certain uncertainties like drought, disease outbreak, bird attack e.t.c attached to agricultural production. From the on-going, however, one can deduce that credit utilization has a significant effect on output since the vast majority (95.2%) of the respondents have their income increased from the scale of their output that was subsequently increased by the use of credit.

Problems Faced in Having Access to Credit

Table 5: Distribution of respondents by problems faced with agricultural credit.

Problems Encountered	Frequency	Percentage
Inaccessibility to credit information	12	11.4
Lack of collateral security	20	19.0
Untimely credit disbursement	15	14.3
Administrative bureaucracy	7	6.8
High Interest rate	20	19.0
Insufficient amount	31	29.5

The data in Table 5 shows the distribution of respondents by problem faced in obtaining credit. The results indicate that “insufficient amount of agricultural credit” is the problem faced by most of the farmers while “administrative bureaucracy” is faced by just few of them.

CONCLUSION AND RECOMMENDATIONS

This study examined the effects of credit utilization on the output of youth rice farmers in Nigeria. The study stems from the quest for credit facilities by Nigerian youth farmers to procure the resources required for their farming operations. The findings of the study reveals that past experience is the major source of information on credit by the farmers, though most of them prefer cooperative societies. Banks, cooperative societies and Esusu/saving groups are the major sources of credit to the farmers. Many of the youth rice farmers spend their credit on fertilizer, seeds and on expanding farmland. Though the farmers encounter problems in sourcing credit, it is inferred from the study that the major effect of credit utilization by the youth rice farmers is increase in their output.

Based on the findings, it is recommended that the youth rice farmers should form themselves into formidable groups, so that they derive maximum benefit of collective investment in group savings. These would help the farmers mobilize much funds and obtain loans from financial institutions easily. Also, financial institutions such as commercial and agricultural banks should be sited in the area. These institutions should provide the farmers with adequate loans that is sufficient to meet the demand of their farming activities at the right time and at affordable interest rates. Moreover, the extension services in the study area should be overhauled. This is with the aim of training and monitoring the farmers on how to access and use credit judiciously.

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