

Sources and Uses of Agricultural Credit by Small Scale Farmers in Surulere Local Government Area of Oyo State

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ABSTRACT The role of credit in agricultural economy is crucial and its constraint which can affect farmer's investment behaviour necessitated the investigation of sources of agricultural credit and its uses in Surulere Local Government area of Oyo State. One hundred and twenty respondents randomly selected from twenty villages were interviewed using structured questionnaire. The study found that most of the respondents obtained loans through informal sources with co-operative societies being the most popular source. The results also showed that payment for labour wages consumed the larger percentage of the credit obtained by most of the respondents. Accessibility to agricultural credit was constrained by certain factors identified in the study. However, to ensure effective utilization of available sources of credit, establishment of agricultural and community banks in the rural areas with simple procedures of securing loans was recommended. Also, mobilization of farmers into formidable groups in order to enjoy the benefit of collective investment of group savings was also recommended.

INTRODUCTION

Agricultural credit enhances productivity and promotes standard of living by breaking vicious cycle of poverty of small scale farmers. Adegeye and Ditto (1985), described agricultural credit as the process of obtaining control over the use of money, goods and services in the present in exchange for a promise to repay at a future date.

The crucial role of credit in agricultural production and development can also be appraised from the perspective of the quantity of problems emanating from the lack of it. In modern farming business in Nigeria, provision of agricultural credit is not enough but efficient use of such credit has become an important factor in order to increase productivity.

Ogunfowora et al. (1972) reported that credit is not only needed for farming purposes, but also for family and consumption expenses; especially during the off season period. Credit has also been discovered to be a major constraint on the intensification of both large and small scale farming (Von-Priskieke 1986). The absence of rural banks or their unwillingness to meet credit need of rural farmers largely account for the wide

influence of informal lending institutions on agricultural production in the rural areas.

Abe (1982) reported that non-institutional creditors accounts for 70% of the total credits received by Nigerian farming population. However, with the present situation in Nigeria, these sources could hardly meet the increasing demand for credit by farmers.

This study takes a concise look into effective ways or sourcing for agricultural credit by small-scale farmers and efficient utilization of such credit to boost agricultural production.

METHODOLOGY

Surulere local government area of Oyo State was chosen for this study because small-scale farmers that contribute immensely to agricultural production and food security primarily dominate it.

The local government area is made up of ten political wards and two villages were randomly selected from each ward. Six farmers were randomly furthered selected from each village making a total of 120 respondents for the study. A structured questionnaire was used to collect relevant information from the respondents.

Content validity was carried out and test-retest method was used to measure the reliability of the instrument given the r-value of 0.82. Data collected were analyzed using descriptive statistics.

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RESULTS AND DISCUSSION

The study revealed that 57.6% of the respondents fell within the age brackets of 20-49 years, an indication of majority being in the middle age group. Only 10.8% of the respondents were above 57 years of age and above. More than seventy-six percent (76.7%) of the respondents were married. The study also indicated that 62.4% of the respondent(s) were male as against 5.8% female respondents. This agrees with the finding of Olaleye (2000) that small scale farming are being carried out mostly by males, while females involve in light farm operation such as processing, harvesting and marketing.

The study also revealed that the respondents had large family size with majority falling within the range of 6-10 persons per family. Fifty-nine percent (59%) of the respondents had one form of education or the other as against 41% that had no formal education.

It is evident from the study that dependence on co-operative societies for agricultural credit was the highest (84.7%) followed by personal savings, friends/relatives (62.5%) which was closely followed by 'Esusu' clubs (traditional savings association) (60%). Money lending and credit from produce buyer accounted for 33.3% of the sources used by the respondents for agricultural credit.

Co-operative societies accounted for the most dependable source of credit because according to the respondents the societies also perform additional role of helping the members to market their produce as well as bulk-purchase of farm input for members.

The non-patronage of commercial banks may be due to lack of presence of banks in the rural areas coupled with inadequate security on the part of farmers which prevented them from obtaining loan in the banks. This finding shared the view of Ogunfowora (1981).

With regard to the size of loan which the respondents were willing to borrow, it was found that 45-8% of the respondents were willing to borrow between N51,000 to N100,000. This is an indication that the respondents realized the importance of credit in increasing productivity. About 24.2% of the respondents intended to borrow between N10,000 to N50,000 while those with loan size of N101,000 to N150,000 and above N150,000 constitute 18.3% and 11.7% respectively.

The study also revealed that 90% of the respondents made use of the credit obtained for payment of labour wages. It shows that labour still constitute a major problem to agricultural production in the rural areas despite the huge family size. This could also be attributed to the fact that younger members of the family may be schooling on learning some vocational skills in the cities and hence could not participate in the farming activities.

The study further revealed that interest rate was considered the highest constraint in sourcing for agricultural credit by 59% of the respondents followed by mode of repayment which 41% of the respondents regarded as constraint to sourcing agricultural credit. A study by von-Pischike (1991) had earlier reported that, moneylenders generally charged exorbitant rates due to risks involved and in some cases they extract economic surplus provided by peasant labour, capital and possibly land.

In line with the finding of this study, it is recommended that financial institutions such as agricultural and community banks should be established in the rural areas. The procedures for securing loans should be reviewed in order to make it simple for the farmers. The relevant government agencies should mobilize the rural farmers to form themselves into formidable groups so that they can derive maximum benefit of collective investment of group savings.

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