

Analysis of Loan Repayment Among Small Scale Farmers in South Western Nigeria- A Discriminant Approach

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ABSTRACT The study examined loan repayment among small scale farmers in South Western Nigeria. It specifically identified the socio-economic characteristics that discriminate between loan defaulters and non defaulters. A multi stage sampling technique was used to select the respondents and structured questionnaire administered on them. A linear discriminant function considering the socio-economic characteristics postulated for the loan defaulters and non defaulters showed that six variables i.e age of farmers, gross farm income non farm income, net farm income, interest rate charged and farming experience were significant in discriminating between defaulters and non defaulters. The mean value (Z_1) for non defaulters was 0.26276458 while the mean value (Z_2) for defaulters was 0.35384001. The critical mean value (Z) for both groups was 0.3083029 and has the same variability for the two groups. This means that if the value for any farmer is higher than Z (i.e 0.3083029), that farmer probably belong to the group of defaulters. On the other hand, if the Z value is lower than Z (i.e 0.3083029) such a farmer probably belongs to the group of non-defaulters.