Sources and Accessibility of Credit to Farmers For Agricultural Financing In Makarfi Local Government Area of Kaduna State.

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Abstract
The study was carried out to determine the sources and accessibility of credit to farmers for agricultural financing in Makerifi Local Government Area of Kaduna State of Nigeria. Primary data was used for the study. Primary data was obtained using a structured set of questionnaire. Descriptive statistics and multiple regression analysis were used for the investigation. The result obtained show that 95.3% of the sampled farmers were between the age bracket of 21-50 years while 85.9% of the respondent had received one form of education or the other. 85.9% of the respondents have been farming for between 1 – 40 year. The result further revealed that 91.1% of the farmers in the area had 4 – 16 children as members of household size. The level of education and years of farming were the significant factors influencing access to credit by farmers in the area under study. 76.5% obtained loans from formal sources, while 23.5% got loans through informal sources. Further analysis, 24.7% of the farmers sampled, had problems of delay in approval and obtaining loans through formal sources while 4.7% of those sampled complained about delay in getting credit through informal sources. Based on the findings, the following recommendations were put forward. That there should be (i) minimization and simplification of procedures in obtaining loans from formal and information sources. This will enhance timely disbursement of loans to the farmers; and. Interest rates charged on loans by both formal and informal sources should be minimal.

Introduction

This study was carried out to determine the sources of credit available to farmers for agricultural financing. It will point out the problems which prevent farmers in rural areas from obtaining credit for financing agriculture.

It will suggest ways on how to minimize or eliminate the problems. The study will also provide information which can serve as a guide to policy makers on how to improve credit schemes to serve the credit needs of farmers in the area of study. The broad objectives of the study is to determine the sources and accessibility of credits to farmers in the rural areas. Specifically, the objectives are to identify the various socio-economic characteristics that influence farmers in rural areas to get access to credit, to identify the various sources of credit to farmers in the area of study; to describe the problems militating against rural farmers access to credit and to make recommendations that could be adopted to address and eliminate the problems so identified.

Theoretical Framework

Agriculture is one of the major sectors which contributes to the economic development of Nigeria. (Ude, 1982). It employes over two thirds of the country's population labour force. In Nigeria, agriculture in all its facts is the back bone of the economy because without food and basic raw materials our industries will suffer. Through sales of agricultural produce the farmers earn income. Rural dwellers in Africa make up more than 75% of the work force in agriculture and 80% food producers (Maigida, 2001).

Rural farmers in Nigeria live and work under difficult conditions. They use traditional tools and techniques which are time consuming. These tools and techniques are not efficient to generate the required output. Furthermore the rural farmers work relentless, carrying out the bulk of marketing and processing of produce (Ilo, 1988).

It is therefore necessary to five ways in which rural farmers can improve their productivity. An improvement in productivity can be achieved by adoption of new and appropriate technology for rural farming activities which can be achieved through financial support. In northern Nigeria, for instance Kaduna State, most of the men in the northern part of the state are engaged in agricultural production. Their main occupation is farming. The bulk of agricultural production in this area is undertaken by small-scale farmers most of whom whose labour force, management and capital organnate from the household (Foin, 2001).

The farmers are unorganized and then lack political power and economic power. As a result, they are poorly served and slow to change.

In this area, men are responsible for food production, provision of clothing, medical care, their children's education and household products for the well being of their families. Despite all these responsibilities, they use technologies that have been used by their ancestors for many generations. It is not surprising that farmers in the areas have not been able to produce in large quantities. There is need for access to capital in the form of credits. Credit is defined as the ability to obtain title to and receive goods for use in the present, although payment in differed to a further date (Miler, 1977). Agricultural financing is the procurement and using of capital for agricultural production. (Daramola et al, 1999). Agricultural practice requires money for the purchase of various factors of production including land. There are two main sources of agricultural financing; formal and informal sources. The formal sources are organized and guided by law with effort on the part of the government, examples are the Nigerian agricultural cooperative and rural development bank (NACRDB), commercial banks, supervised agricultural credit, cooperative societies and government agencies. Informal sources include friends, relatives, money leaders, saving societies and traditional groups. These sources are meant to facilitate and increase agricultural production. Though farmers may patronize these sources, there are some implications involved like provision of collaterals e.t.c.

Methods of Data Collection and Area of Study

This study was conducted in Makarfi Local Government Area of Kaduna Nigeria. Makarfi Local Government area covers a total land area of 853 sq km in size and it is located in the plain of the northern part of Kaduna state. It lies between latitudes $11^0$15N and $11^0$3^{0}N and longitude $7^0$5^{0}E and $80^0$5E. The local government shares boundaries with Soba Local Government to South west Katsina and Kano to the North West. The local government area is situated in the northern Guinea savanna.

According to 1991 population census, the local government area had a total population of 203, 040 (N.P.C 1991). Agriculture is the major source of livelihood in the area. The major crops grown in the area are maize, guinea corn, rice, sugar cane, pepper and tomatoes. The farmers also keep small livestock around their homes. The crops are grown both for sale and local consumption.

The primary data were obtained using a well structured set of questionnaires. A total number of eight five (85) farmers were randomly selected among three (3) villages. The villages selected are Tashar yari, Gimi Gari and Gangora because of their active involvement in farming. The tools used to analysis this study are:- sample descriptive statistics and multiple regression analysis. The simple description statistics were used to summarize and describe the data colleted. This involved the use of central tendency such as percentages, means and frequency distribution. The multiple regression analysis was used to determine the socio-economic factors influencing rural farmers access to credit to finance agriculture. Hence different functions were fitted. The best regression fit was determined by a combinations of criteria of the higher adjusted coefficient of multiple determine (R2), the level of significance of the overall equation (F – statistics), the level of significance of each coefficient (T-Statistics) and the correct signs of the coefficient relative to apriori expectation. The functions can be represented as follows:

$$Y = F(X_1, X_2, X_3, X_4\ e)$$

Where, Y = access to credit (the total amount received in naira)

X_1 = age of the farmers in years.

X_2 = the size of the family (number)

X_3 = level of education of farers (in years)

X_4 = experience in farming (years)

e = Error term.

The explicit forms represented are as follows:

$Y = a+b, X_1+b_2\ X_2 + b_3\ X_3 + b_4\ X4e$ (Linear)

$Y = a +b_1, \log X_1+b_2 \log X_2 + b_3 \log X_3 + b_4, \log X_4 + e$ (Semi log)

$\text{Log } Y = a+b, \log X_1+b_2 \log X_2 + b_3 \log X_3 + b_4, \log X_4 + e$ (Double log)

$Y = a + b_1\ X_1 \ldots\ldots\ldots\ldots b_4 + X_4 + b^5\ X_1^2 + \ldots\ldots\ldots\ldots\ b_9\ X_5^2 + b_{10}\ X_1\ X_2 + \ldots\ldots\ldots +$

$b_{19}\ X_1 + b_{20}\ X_1\ X_2\ X_3\ X_4 + e$ (Quadratic)

Results and Discussion

The variables used in this study are age, family size, educational status and years of farming experience. From table 1,95.3% of sample farmers were between the bracket of 21 and 50years. This means that majority of the farmers were middle age. It implies that most of the farmers are still in their economic active age and could have access to Credit and this could have a positive effect on agricultural production. Further analysis, show that 85.9% of the sampled respondents had one form of education or another. Njoku (1991) observed that formal education has a positive influence on adaptation of innovation. Furthermore, 85.9% the farmers have been in farming for between 1 to 40 years. This means that they must have acquired good farming experiences.

The farmers maintain large family sizes with majority of them having between 4 to 16 children (91.1%). Family size is an important factor in rural production because it determines the manpower available to the individual farmer. This explains why the labour source available to the farmers originate mainly from the household with little or no paid labour. Table 3 shows that the value of coefficient of multiple determination (R^2) indicates that about 55.90% of the farmer's access to credit is an independent variable regresion model. In addition three of the inputs had include in the positive coefficients. Only the level of education and farming were significant 1 and 5% level of probability.

Table I: Distribution of sample according to farmer socio-economic characteristics and year of farming.

Variables	No. of Respondents	Percentage
Ages of farmers in years		
21 – 30	18	21.2
31 – 40	25	29.4
41 – 50	30	35.3
51 – 60	8	9.4
60 above	4	4.7
Educational level of farmers		
Islamic Education	26	30.6
Primary Education	20	23.5
Secondary Education	18	21.2
Tertiary Education	9	10.6
No formal Education	12	14.1
Family size of farmers (Household)		
1 – 4	26	30.6
5 – 8	32	37.6
9 – 12	11	12.9
13 – 16	9	10.6
16 – above	7	8.3
Years of farming experience		
1 – 10	10	11.8
11 – 20	39	45.9
21 – 30	15	17.6
31 – 40	9	10.6
41 – 50	7	8.2
51 above	5	5.9

Source: field survey 2006

Table 2: Distribution of sampled farmers according to security offered before obtaining loan

Type of security	No of respondents	Percentage
Bank account	19	22.4
Guarantors	35	41.2
Land	21	24.7
Crops harvest	8	9.4
Others	2	2.3

Sources: Field surveys 2006

Table 3 Estimated coefficient of regression analysis of socio-economic determinants influencing farmers access to loans for farming.

Variable	Regression coefficient	T. value
Age (X_1)	210 698	0.1677
Family size (X_2)	-0.1660	0.14750
Level of education (X_3)	08999	4.30xx
Farming year (X_4)	0.52221	14.40xx

Sources: Field Survey 2006

R_2 =0.5590, F = 23.14x

Significant at 1% and 5% level of probability

Table 4: Distribution of sample respondents according to farmers sources of credit for agricultural financing

Sources	Respondents	Percentage
Formal	65	76.5
Informal	20	23.5

Table 5: Distribution of sample of farmers according to problems encountered in obtaining loans from formal sources

Type of problem	Respondent	Percentage
A lot of time is spend on getting the loan	40	47.1%
Delay in approving and obtaining the loan	43	50.6
Procedures are complicated	31	24.7
Interest rates change are high	31	36.5
Need to buy and process application form before obtaining load	9	10.6
The cost of transaction is high	31	36.5
One is not always given the full amount applied for	23	27.1
Inadequate collateral security to obtain loan	28	32.9
Transportation cost is high from home to source of loan	12	14.1
Problem of collecting chaques	20	23.5

Source: field survey 2006

Table 6: Sample distribution of respondents according to problems encountered from informal sources in obtaining loans.

Type of problem	Respondent	Percentage
Lack of trust to paying back the loan	7	8.2
Transportation is high to source of loan	4	4.7
One is not always given the full amount he applied for	9	10.6
Risk of repaying the loan because of crop failure	8	9.4
High interest rates change	8	9.4
Time in repaying the loan is short	6	7.1
There is delay to obtain witnesses	2	2.4
Delay to obtain loan (go and come)	4	3.5
Difficulties before getting loan	3	3.5
Witnesses need before obtaining loan	14	16.5

Field survey 2006

Conclusion

The study revealed that 76.5% (Table 4) obtained credit for agricultural financing through formal sources while 23.5% obtained credit from informal sources. Furthermore, the analysis show that 41.% of the sampled farmers used guarantors as security to obtained loans, while 24.7% said they used land as security for obtaining credit. Table 5 and 6 shows that 50.6% of the farmers complained of delay in approving and obtaining loans from formal source while 4.7% of the farmers also reported of delay in getting loans through informal sources.

The study has shown that most of the farmers sampled had problems both from formal and informal sources of credit. The multiple regression analysis showed that the level of education and farming experience were the most significant factors in determining and influencing access of farmers to credit. The following recommendation are made based on the finings:

i. That there should be minimization and simplification of procedures in obtaining loans from formal and informal sources. This will enhance the timely disbursements of loans to the farmers.
ii. Interest rate charged on loans by both formal and informal sources should be minimal.
iii. Loans for agriculture financing should be given in time and the amount to be approved should be reasonably enough.

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