

ANALYSIS OF ACCESS TO FORMAL CREDIT FACILITIES AMONG RURAL WOMEN FARMERS IN OGUN STATE, NIGERIA

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ABSTRACT

The study examined the accessibility of rural women farmers to formal credit source in Ogun State Nigeria. One hundred and sixty (160) rural women farmers were selected using simple random sampling techniques; interview guide was used to obtain information from the respondents. Data were analysed using both descriptive and inferential statistics. The findings showed that most of the rural women farmers are within the age of 36 – 45 years and do have some form of formal education, all of the rural women were involved in crop farming either as major (80.0%) occupation or as minor (20.0%) occupation. The study revealed that above half (57.5%) of the respondents are not aware of formal credit sources as a result 32.4% of the rural women applied for loan in formal institutions. However there were significant relationship between educational level, occupation of the respondents and their access to formal credit.

Keywords: Women farmers, Formal credit, Access and Ogun state

Introduction

The significant role of agriculture in nation building all over the world cannot be overemphasized. Agriculture is a major contributor to Nigeria's Gross Domestic Product and small-scale farmers play a dominant role in this contribution (Rahji and Fakayode 2009). However their productivity and growth are hindered by limited access to credit facilities (Odoemenem and Obinne 2010). Credit is considered as a catalyst that activates other factors of production and makes under-used capacities functional for increased production (Ijere, 1998). Thus farm credit plays a crucial role in agricultural and rural development as it enables farmers reap economies of scale, venture into new fields of production, employ new technologies and empower them to provide utilities for a widening market. Agricultural credit is often seen as any of several credit vehicles used to finance agricultural transactions, including loans, notes, bills of exchange and bankers acceptances. These types of financing are

adapted to the specific formal needs of farmers, which are determined by planting, harvesting and marketing cycles. Agricultural credit enhances productivity and promotes standard of living by breaking vicious cycle of poverty of small scale farmers (Ayegeba and Ikani, 2013). The agricultural activities of women go beyond crop production (such as vegetables, maize, cassava, yam etc.) to other agricultural aspect like fisheries, rabbitary, poultry as well as sheep and goat rearing. Rural women farmers play a vital role in food production and food security in Nigeria. In Nigeria women supply most of the needed labour in agricultural activities (Afonja, 1984) and this is one of the most important factors of production, as it is needed at every stage of production. The role women play in agricultural production and in the rural society is fundamental to agricultural and rural development in Nigeria and Africa as a whole.

Women in Nigeria like their counterparts in other parts of developing countries are mostly involved

in food production to feed their families. It is believed that women in the African continent produce about 90 percent of the total food supply (FAO, 2013). The main activities of women in rural communities are mainly participating in agricultural production (cocoa, oil palm, rubber, coffee). These crops serve as sources of revenue for the government. The women also are involved in agro forestry production particularly around the rural compound and farm stead. Women are now becoming a growing force in various sectors within their economies. Reports around the world show women's compelling contribution to business and economic activities in their countries (Welter, *et al.*, 2006; Carter, *et al.*, 2007). The problems of credit availability at the required period and at reasonable cost have continued to affect the optimal increase in agricultural production by women farmers. These women are faced with enormous difficulties in acquiring credit facilities such as late disbursement of agricultural loans, non-fulfilment of security or collateral requirement, diversification of funds by the bank management for non-agricultural purposes and inability of the banks to reach women farmers at the grassroots. One of the major constraints small-scale women farmers are facing in Nigeria is that of inability to access credit facilities for agricultural production. It is envisaged that when these conditions are improved upon, the value of small-scale women farmers' income will meet their expectations and that will create enabling environment for the development of economic base of low income women farmers. Women's lack of landownership rights has hindered their access to bank loans, as they are left without land rights to offer as security. Women's financial constraints are further accentuated by their limited integration in the wage economy as well as their less access than men to formal education (Chikwendu and Arokoyo, 2008).

The fear of not being able to repay and the fear of being refused credit impede women's access to commercial bank credit. Despite many shortcomings and constraints, Nigerian women have been able to create their own enterprises, even in an environment where economic decisions would normally be taken by the male head of the households. In a developing country such as Nigeria, the concern for increasing

women's economic participation can be seen within the wider general concern to alleviate the socio-economic conditions of the poor households, especially those in the rural sector. The vulnerable position of women in Nigeria stems from the fact that they face a variety of obstacles and they consistently struggle and remain dormant (Nichter and Goldmark, 2009). The agriculture sector is underperforming in many developing countries, because women do not have access to the resources and opportunities they need to be more productive. Women often need credit to hire labour, purchase labour saving devices or purchase food in the planting season when their own food supplies are exhausted. Global statistics, as observed by deBrauw *et al.*, (2008) and Fletchner (2009) are not different. Women are less likely to use credit than men under equivalent socio-economic conditions and they are not always able to rely on their husbands to help them overcome credit constraints. Ojo (2005) observed that the institutional lending system has failed to meet the objective for which they were set up. In his words, only 15 percent of the trading bank credit to agriculture has been covered. The major shortcomings of their transactions he observed are due to the inaccessibility of these funds to rural farmers as a result of the bureaucratic procedures and high service cost, which are very difficult for the farmers to meet. These constraints on women's access to capital have a measurable negative impact on their production capabilities. The general objective of the study therefore is to examine accessibility of rural women farmers to formal credit facilities in Ogun State Nigeria. The specific objectives are: (i) to ascertain the socio-economic characteristics of the rural women farmers in the study area, (ii) to determine the rural women farmers' awareness of formal financial institutions in the study area, (iii) to determine the rural women farmers source of information about formal credit facilities and (iv) to assess rural women farmers attitude towards formal credit facilities in the study area.

Methodology

The study was carried out in Ogun State, Nigeria. Ogun State covers a land area of approximately 16,409,26 square kilometres with a population of about 3,728,098 people (NPC 2006). The state lies within Latitude 6^oN and 8^oN and Longitude

2½⁰E and 50E. It experiences rainfall pattern similar to others in the southern parts of the country, characterized by two peaks. The vegetation is typical of the rainforest. The main occupation of the people includes farming, dyeing, trading, poetry and fishing. The state is divided by the OgunState Agricultural Development Project (OGADEP) into four operational zones namely Abeokuta, Ijebu Ode, Ikenne and Ilaro zones. Ogun state has a total of 20 local government areas. The state has a tropical climate with mean annual rainfall of about 1,500 millimetre and temperature range of 25⁰C – 35 ⁰C. The raining season runs between April and November, it is characterised by two distinct raining periods brought about by temporary cessation of rain in August. Agriculture is the major occupation of the people of Ogun State, which is favoured by the climatic condition. Commonly cultivated crops are maize, yam, plantain, beans, cocoa, rubber, palm tree, sugar cane, kola nut, citrus and cassava. The commonly reared livestock in the State include sheep, goat, poultry, cattle, and local chickens.

Sampling Techniques and Sample Size

The population of this study comprised of rural women farmers in Ogun State. A multistage sampling procedure was used to sample respondents for the study. Ogun state has a total of 20 local government areas. Obafemi-Owode and Yewa North Local Government areas of Ogun State are purposively selected due to the presence of rural women who are involved in various farming activities in the study. The study area is made up of eight communities from each LGAs selected. In Obafemi-Owode; Iro, Oba Kobape, Obafemi, Ogunmakin, Ajebo, Owode, Ibafo and Mokoloki, while Igbogila, Tata, Oja-Odan, Ayetoro, Imashai, Ijoun, Joga-Orile and Ibese communities were selected from Yewa North LGAs. Simple random sampling technique was used to select 10 rural women from each of the community in the study area to give a total sample size of 160 respondents. Structured interview guide was used to elicit information from the respondents. Data collected were subjected to descriptive statistics such as frequency count, percentage distribution while Chi-square test was used to test the hypothesis. A significance level of 0.05 was used to test the hypothesis.

Results and Discussion

Socio-economic characteristics of the Respondents

The result in Tables 1 show that the mean age of respondents interviewed was 38.5 years, indicating that most of the rural women are within the economically active years and innovative age category where they can still exhibit valuable resources within the means for their personal development and family around them. Most (83.75%) of the respondents were between the age bracket of 36-55 years while 15.8% were less than or equal to 35 years. It has been found that old people tend to be more risk averse than young people (Olarinde *et al.* 2005). Most (81.2%) of the respondents were married and 81.2% of them reveals that their husband are regard as head of household, while 13.8% of the rural women were head of household. Married women are expected to have high repayment performance because they would have the support of their husband when they are in need of additional income in case of potential default of repayment of loan/credit.

About 90% of the respondents had between 3 and 6 children. Number of children possessed by an individual is one of the factors that influences the amount of money that would be allocated for the family consumption and farm business at large, above half (57.5%) of the rural women had between primary and secondary education, while 42.5% of them had no formal education in the study area, also above half (53.8%) of them were practicing Christianity and 38.8% were Muslim and very few (7.5%) were practicing Traditional religion. Result revealed that above one third (36.2%) of the rural women had between 5 – 9 years of farming experience, 30.0% of them had between 10 – 14 years of farming experience and 12.5% of the rural women had less than or equal to 5 years of farming experience in the study area. Experience acquired in a particular occupation determines how knowledgeable an individual is in that field of his/her occupation in life and is applicable to all discipline/career. Area of land cultivated is one of the determinants of farm produce. Most (85.0%) of the rural women have less than or equal to 1 hectare of land for agricultural purposes, while 15.0% of them had within the range of 2 – 3 hectares of land for their

farming activities. The crop cultivated by these set of people were cassava (38.8%), maize (27.5%), vegetables (11.2%), yam (10.0%). This is an indication that rural women contribute to

some of the agricultural produce found in the market. Also rural women engage in mixed cropping in order to generate income for themselves at every cropping time.

Table 1: Distribution based on Personal Characteristic of Women farmers (n= 160)

Variables	Frequency	Percentages (%)	Mean
Age			
Less than or equal to 26	6	03.8	
26 – 35	20	12.5	
36 – 45	74	46.2	38.5
46 – 55	60	37.5	
Marital status			
Single	4	02.5	
Married	130	81.3	
Separated	8	05.0	
Widowed	18	11.3	
Head of household			
Respondent	22	13.8	
Husband	130	81.3	
Father	8	05.0	
Number of children			
1 – 3	10	06.3	
4 – 6	40	25.0	5.22
7 – 9	90	56.3	
Above 9	20	12.5	
Educational background			
No formal education	68	42.5	
Primary education	50	31.3	
Secondary education	42	26.3	
Tertiary education	0	00.0	
Religion			
Christianity	86	53.8	
Islam	62	38.7	
Traditional	12	7.5	
Farming Experience			
Less than 5	20	12.5	
5 – 9	58	36.3	7.54
10 – 14	48	30.0	
15 – 19	14	8.7	
Above 19	20	12.5	
Cultivated area (ha)			
Less than 2	136	85.0	
2 – 3	24	15.0	
Crop cultivated			
Rice	10	6.3	
Yam	16	10.0	
Cassava	62	38.7	
Vegetables	18	11.2	
Fruit	10	6.3	
Maize	44	27.5	

Awareness of formal institution

The level of awareness of rural women farmers to formal credit source around them is presented in Table 2. The result showed that respondents'

awareness is low (42.5%) when compared to those who are not aware (57.5%). The reason for low awareness could be attributed to inadequate number of formal institutions existing in their

communities as at the time of this study as well as lack of information to source fund from the formal institutions for any agricultural activities or business that could empower rural women in one area or the other. Based on the number of respondents who are aware of the formal institutions, the formal institutions aware of include Microfinance Banks (15.0%), Co-operative Society (27.5%), microfinance bank and co-operative society (42.5%) while above half (57.5%) of the respondents are not aware of any formal institution at all in the study area. From the findings of the study, above one third (35.0%) of the respondents applied for fund from the informal source to carry out necessary

operation in the farm, followed by co-operative society (21.3%) and microfinance bank (11.2%), while 32.5% of the respondents did not apply to any formal institution at all in the study area. The increase in the applicant of informal credit source than other may be due to increased availability of credit source or the lack of confidence and the inability to meet the requirement of formal institutions. Adejobi and Atobatele (2008) suggested that loan default could limit access to credit. Rahji and Fakayode (2009) blamed the limitation on imperfect and costly information problems encountered in the formal markets; credit rationing policy; and banks perception of agricultural credit as a highly risky venture

Table 2: Rural Women Awareness of formal institution (n = 160)

Variables	Frequency	Percentages (%)
Awareness of formal institution		
Yes	68	42.5
No	92	57.5
Formal institution aware of		
Microfinance bank	24	15.0
Co-operative society	44	27.5
None	92	57.5
Formal institution applied for		
Microfinance bank	18	11.2
Co-operative society	34	21.3
Informal source	56	35.0
None	52	32.5

Rural women farmers' source of information about formal credit facilities

Result in Table 3 reveals that rural women in the study area disclosed various source of information about formal credit facilities in the study area. Based on multiple responses it was gathered that respondents obtained information about where and how to source for money in their agricultural activities. About one third (31.2%) of the respondents source information from radio programmes, while above one quarter (28.1%) of the respondents source information from formal credit agent, friend and family who have benefitted from the credit in the study area. According to Okojie *et al.*, (2010), the lack of bank accounts, collateral, and information

regarding the procedure for accessing credits from banks limit peasant farmers and rural women's access to credit from formal institutions. Also 21.9% of the respondents source information from co-operative society in the study area. Formal credit is a mean of empowerment that ought to elevate women farmers towards food sustenance and eradicate poverty in the study area. Agriculture is a major contributor to Nigeria's Gross Domestic Product and small-scale farmers play a dominant role in this contribution (Rahji and Fakayode 2009), but their productivity and growth are hindered by limited access to credit facilities (Odoemenem and Obinne 2010).

Table 3: Rural women farmers' source of information about formal credit facilities

Source of information*	Yes (%)	No (%)
Friend and family	45 (28.1)	115(71.9)
Radio	50(31.2)	110(68.8)
Television	20(12.5)	140(87.5)
Extension agent	15(9.4)	145(90.6)
Newspaper	10(6.3)	150(93.7)
Flyers/poster	25(15.6)	135(84.4)
Co-operative society	35(21.9)	125(78.1)
Formal credit agent	45(28.1)	115(71.9)
Seminar/workshop	10(6.3)	150(93.7)

Rural women farmers' accessibility to formal credit facilities

Result in Table 4 reveals rural women farmers accessibility to formal credit facilities in the study area. Those accessibilities were ranked based on relative significant among the 10 variables used for this study. Almost half (48.8%) of the respondents revealed that there is prompt payment from formal credit source to pay for farm machinery service always, while 42.5% of them opined that there is prompt payment from formal credit to pay for farm machinery service occasionally with the mean value of 2.40 and ranked 1st among the accessibility to formal credit facilities in the study area. Farmers access to credit facilities is supposed to be an accelerator of agricultural development through a wide spread break away from traditional technology and by fostering the generalized adoption of developed and improved technology. Flores (2004) corroborating this assertion stated that

institutional credit if made available to farmers could ameliorate some of the farmers problems such as small farm size, low output, low income and low social economic status. It can also relieve farmers of the excess interest imposed on them by the informal creditors who usually charge high interest rate of between 100-300 percent per annum. Based on the above consideration and the vital role of credit in agricultural development, government initiated different policy measures for extending formal assistance to small-scale farmers through a farm credit scheme at low interest rates. It has been confirmed that a well-managed institutional credit scheme aided agricultural development while poorly managed credit programme has been instrumental to agricultural stagnation in many developing countries (Alabi *et al.*, 2007). These farm credit schemes have been functioning for many years; it is therefore pertinent to ascertain their impact on the beneficiaries.

Table 4: Rural women farmers' accessibility to formal credit facilities

Accessibility to formal credit	A (%)	O (%)	N (%)	Mean	Ranked
There is prompt payment from the formal credit facility to purchase materials inputs for farming	71(44.4)	74(46.3)	15(9.3)	2.35	2 nd
There is prompt payment from formal credit to pay for farm labour service	70(43.8)	75(46.9)	10(6.3)	2.31	3 rd
There is prompt payment from formal credit to pay for farm machinery service	78(48.8)	68(42.5)	14(8.7)	2.40	1 st
There is no delay when money is requested in the formal credit.	52(32.5)	77(48.1)	31(19.4)	2.13	5 th
There is prompt payment from formal credit source to cater for the family needs.	65(40.6)	79(49.4)	16(10.0)	2.30	4 th
There is prompt payment from formal credit source to procure some farm equipment.	40(25.0)	94(58.8)	26(16.3)	2.09	6 th
I have good information about my money in saving at the formal institution and me.	29(18.1)	71(44.4)	60(37.5)	1.81	10 th
There is good human relation among the staff of the formal institution.	30(18.7)	86(53.8)	44(27.5)	1.91	9 th
I am always welcome at formal institution centres at all time.	53(33.1)	64(40.1)	43(26.8)	2.06	7 th
There is more attention to all members in the formal institution.	52(32.5)	59(36.9)	49(30.6)	2.02	8 th

Note: A = Always, O = Occasionally, N = Never.

Almost half (46.3%) of the respondents revealed that there is prompt payment from the formal credit to purchase materials inputs for farming occasionally, while 44.4% of them reveals that there is prompt payment from the formal credit source to purchase materials inputs for farming always with the mean value of 2.35 and ranked 2nd among the accessibility variables to formal credit in the study area. Also almost half (46.9%) of the respondents reveals that there is prompt payment from formal credit to pay for farm labour service always, while 43.8% of them reveals that there is prompt payment from formal credit to pay for farm labour service occasionally with the mean value of 2.31 and ranked 3rd among the accessibility to formal credit in the study area. Result reveal that almost half (49.4%) of the respondents reveals that there is prompt payment from formal credit to cater for the family needs occasionally, while 40.6% of them reveals that there is prompt payment from formal credit to cater for the family needs always with the mean value of 2.30 and ranked 4th among the accessibility to formal credit in the study area. Decline in agricultural contribution was attributed to neglect of the rural sector,

comprising mainly the small scale farmers (Akinsoye, 2006). As the role of agriculture in the economy declines, food importation increases leading to the depression of locally produced food which has decreased farmers' expected income that could have been used to improve their socio-economic status.

Result in Table 5 reveals that the age ($x = 3.575$), marital status ($x = 6.297$), number of children ($x = 7.926$), farming experience ($x = 5.397$), cultivated area ($x = 0.446$) of the respondent do not have significant relationship ($p > 0.05$) with their access to formal credit facilities. However there were significant relationship ($p < 0.05$) between educational background ($x = 42.780$), marital status ($x = 4.539$), religion ($x = 5.286$) of the respondents and their access to formal credit facilities in the study area. This implies that the null hypothesis is still holding, that is, there is no significant relationship between selected socio-economic characteristics of the respondents and their access to formal credit facilities, at the same time, the level of education, marital status and the religion of the respondents could influence the respondents' access to formal credit.

Table 5: Chi-square result of the relationship between the socio-economic characteristics of the respondents and their access to formal credit

Variables	x-value	df	p-value	Decision
Age	3.575	3	0.311	NS
Marital status	6.297	3	0.100	NS
Number of children	7.926	5	0.160	NS
Education background	42.780	2	0.000	S
Occupation	1.857	1	0.173	NS
Marital status	4.539	1	0.033	S
Religion	5.286	1	0.021	S
Farming experience	5.397	4	0.249	NS
Cultivated area	0.446	1	0.504	NS

Conclusion

There should be laws accompanied with monitoring and evaluation that will enable the various formal institutions live up to their statutory mandates towards agricultural excellence. Banks should open up branches in rural areas and avoid unnecessary stringent credit conditionalities that will discourage farmers' from borrowing. There is urgent need to take a multi-faceted approach in solving the problem rural women are facing in the agricultural sector in order that they contribute meaningfully to food security. Government must create an enabling

environment by working with the private sector to develop programs and services that will reduce the perceived and real risks associated with agricultural lending in order to encourage banks to lend. Rural women access to adult education needs to be strengthened in the rural area so as to enable them read, write and even be able to understand some policies that pertain to formal credit facilities as they stand to benefit them in agricultural activities in the study area. Accessibility to formal credit institutions should include educating rural women on the benefits of

credit facilities as they relate to farming and non-farming activities in the study area.

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