

Analysis of Credit Performance of Small -Scale Farmers in North-Eastern Part of Yobe State, Nigeria

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Abstract: *The study analyzed the credit performance for agricultural production by small-scale farmers in North East Arid Zone Development Programme (NEAZDP) in Yobe state, Nigeria. One hundred and eighty (180) NEAZDP loan beneficiaries were randomly selected from nine (9) Local Government Areas of the state. Data were collected using questionnaires and analyzed using descriptive statistics. The result revealed that the mean age of responded was 36 years and most of the respondents (70%) had primary education and about 83% had less than 30 years of farming experience. NEAZDP disbursed 8454 ox team loan to beneficiaries in 18 development areas, also the result revealed that 33.75% of the respondents obtained sufficient loan, while majority of respondents 56.25% took 3 – 4 years to repay their loans. The study recommended that increased financial resources should be made available to NEAZDP and the volume of loan given should be increased to improved the living standard of the rural populace in the area.*

Key word: *credit, repayment performance, Yobe state.*

I. Introduction

Agriculture is Nigeria's most important sector from the stand of rural employment, provision of family food and export earning despite the discovery of oil (Jama'are, 2000). The above assertion was based on the fact that at independence in 1960 little was known of petroleum as a major source of revenue for the Nigerian economy. There was sustained emphasis on agriculture to the extent that Nigeria was a major exporter of agricultural products like palm produce, cocoa, groundnut, cotton and rubber. In addition to these cash crops, the national agricultural economy was able to produce enough food that there was no need for importation. At that time , agriculture accounted for over 60% of the nation's Gross Domestic product (GDP) (Polycarp et al.,2003). The United Nation Food and Agricultural Organization rated Nigeria's farmland as low to medium in productivity, if properly managed. Despite the existence of two major rivers, the Niger and Benue, agriculture is predominantly rain fed (UNDP, 2004)

Credit is the financial aspects of capital, which is used to assist the farmers to finance their agricultural activities subsequently leading to agricultural development. It could be classified into long, medium and short term credit. Inadequate finance remains one of the major factors militating against agricultural development. Small farmers have always recorded low rate of adoption of new technology because of the non availability of credit to do so (Oluwasanmi,1990)

The Nigeria Agriculture apparently is dominated by the small scale farmers whose scale of production and operation is small to make appreciable profit. The small scale farmers are poor and cannot provide the funds that will yield incremental benefit. This therefore, implies that the farmers have to source fund so as to purchase necessary inputs and technology.

This study therefore, assessed the credit performance of the beneficiaries of NEAZDP in Yobe state, Nigeria. The specific objectives of the study are to :

- i. determine the socio economic characteristics of the respondents in the study area,
- ii. assess the credit disbursement of the NEAZDP to small –scale farmers,
- iii. examine the sufficiency of the loan and repayment performance, and
- iv. Make recommendations based on the findings.

II. Methodology

The North Eastern part of Yobe State, covers nine (9) Local Government Area, namely Bade, Geidam, Jakusko, Karasuwa, Machina, nguru, Dapchi, Yusufari and Yunusari out of the total seventeen (17) Local Government Area in the state .The Yobe State Agricultural Development Programme (ADP) divided the state into three zones, namely zone I,zone II and zone III. The zone I is the northern zone which is the area of my research work and it covered the above listed local Government Areas.

According to Yobe State Agricultural Development Programme (ADP) 1994,the climatic condition of the north Eastern part Yobe State is that of sudan Savannah. The region has an annual rainfall of 500- 600mm, and average annual rainfall of 560- 400mm.The area has been witnessing a prevailing wind mainly because it is

located in Sudan Savannah .the wind which originates from the Sahara blows from October – April. According to G.I.C(2006),the NEAZDP is located within latitude 12 30”N and longitude 13 18” E. The area share boundaries with Niger republic to the North, Borno State to the East, Gombe State to the South – West, Bauchi and Jigawa State to the west. The main river is the river Yobe and its attributes which draw up the Southern part which pass across down to Lake Chad

Sampling Techniques

The NEAZDP has eighteen (18) development areas, namely Balle, Balanguwa, Dagona, Dapchi, Muguram, Gogaram, Kaska, karasuwa, machine, WWachakal, Kanamma, Degeltura, Dumburi, Fuchimeram, Yusufari and Yunusari out of which nine (9) development areas were randomly selected and these include Balanguwa, Machina, Dumburi, Gwiokura, Wackakal, Fuchimeram, Kanamma, Muguram and Yusufari. Twenty (20) respondents were also randomly selected from each development area making a total of one hundred and eighty (180) respondents (NEAZDP client)

Method of Data Collection and Analysis

The main instrument was questionnaire, which was administered directly to NEAZDP client (farmers).How ever, sometimes oral interview was responses were entered in the questionnaires. The questionnaires used were both close and open ended. In the close ended questionnaire, the respondents were given alternative choices of answers and request to tick the appropriate answer, while in the open ended questionnaire, respondents were allowed to write down or say all that they wished to express. One hundred and eighty (180) questionnaires were distributed to NEAZDP client, in which one hundred and sixty (160) that were correctly filled was used for analysis. The secondary source of information such as books, journal magazines, seminar papers on agricultural finance was also used.

Descriptive statistics inform of frequency distribution mean and percentage as well as multiple regression analysis was used in analyzing the data.

III. Result And Discussion

Socio- economic Characteristics of the Respondents

Socio –economic characteristics of the small scale farmers therefore play a significant role in creating awareness and knowledge in determining their farming pattern. The result in Table 1shows that majority of the respondents fell within the age group of 21-40 years of age which represents 57% of the respondents,43% of the respondent were found to be within the age group of 41-70 years. This shows that majority of the respondents were within the age of active labour force. Similar findings have reported by olarewaju(1994).The result also shows that majority of the respondents were married constituted 88.13% while less than 5% were single.

The result further shows that the size of farm holding varied between 0.5 ha and 5.9ha, while those farm sizes were within 2.7 to 5.9 ha constituted 33.76%.the study revealed that , the household sizes shows that majority of the respondents had limited farmland to increase production. The result revealed that 73.76% of the respondents had medium sizes, which range from 1-10 members. This result agree with the findings of Suleiman (1998)who revealed an average family size of 7 to 8 members. The result indicated that about 61.88% of the respondents had informal education (i.e Adult and Qur’anic Education) ,while the remaining 38.12% had formal education(i.e those who had primary ,secondary or Tertiary Education).In related studies it was found that a highly positive correlation existed between the level of farmers education and their ability to meaningfully utilize credit facility(Nura 2000). In term of farming experience 82.5% of the respondents had farming experience of between 1 and 30 years. This reveals that most of the farmers within the study area re well experience in millet production.

Table; 1 Socio – economic characteristics of the respondents

Variables	Frequency	Percentage
Age		
21- 30	30	18.75
31 – 40	61	38.13
41 – 50	40	25
51 – 60	19	11.88
61 – 70	10	6.25
X = 40		
Marital status		
Married	141	88.13
Widows	10	6.25
Single	7	4.38

Divorce	2	1.25
Farm Size		
0.15 – 1.5	48	30
1.6 – 2.6	58	36.25
2.7 – 3.7	39	24.38
3.8 – 4.8	3	1.88
4.9 – 5.9	12	7.5
X = 2.7ha		
Household Size		
1 – 5	57	35.63
6 – 10	61	38.13
11 – 15	22	13.75
16 – 20	16	10
21 – 30	4	2.5
X = 8.4		
Level of Education		
Primary education	8	8.75
Secondary Education	13	8.13
Tertiary education	14	21.25
Qur'anic Education	96	60.0
Adult Education	3	1.88
Farming Experience		
1 – 10	26	16.5
11 – 20	62	38.75
21 – 30	44	27.5
31 – 40	18	11.25
41 – 50	10	6.25
X= 21		
TOTAL	160	100

Source: Field survey, 2012

Farming period

Farming is one of the major occupations of the rural dwellers in Nigeria. Result shows that majority of farmers are practicing wet season farming. Table 2 indicates that 68.75% of the respondents are practicing wet season farming, while the remaining 31.25% are practicing dry season farming.

Table 2; Distribution of respondents by farming period

Farming period	Frequency	Percentage
Dry Season farming	50	31.25
Wet season farming	110	68.75
TOTAL	160	100

Source: Field Survey, 2012

Type of agricultural production

The result in Table 3; revealed that ,63.75% of the respondents were into crop production,29.38% were into livestock production,4.38% were poultry keepers and 2.5% of the respondents were fish farmers. This means that majority of the respondents are into crop production.

Table 3: Distribution of respondents by type of agricultural production system

Agricultural production	Frequency	Percentage
Crop production	102	63.75
Livestock	47	29.38
Poultry production	7	4.38
Fish farming	4	2.5
TOTAL	160	100

Source: Field Survey, 2012

Source of finance

The result in table4;shows that 81.2% of the respondents obtained loan from NEAZDP,6.25% from money lenders,5.635 from Bank,4.38% from personal saving and friends and relatives constituted 2.5% of the respondents. The finding is in line with the study conducted by Nura (2000), who reported that money lenders and other informal lending institutions do not constitute important source of credit in NEAZDP area

Table 4: Distribution of respondents by source of fund

Source	Frequency	Percentage
NEAZDP	130	81.25
Money lenders	10	6.25
Banks	9	5.63
Personal saving	7	4.38
Friends and relatives	4	2.5
TOTAL	160	100

Source: Field Survey, 2012

Sufficiency of NEAZDP loan

Table 5 revealed that 55.63% of the respondent obtained insufficient loan from the NEAZDP, while 33.75% obtained sufficient loan and 10.63% obtained barely sufficient loan. This study shows that there is a need by NEAZDP to provide enough loans to the farmers in the study area, in order to increase agricultural production as well as improve the living standard of the rural dwellers.

Table 5: Distribution of respondents by sufficiency of NEAZDP loan

Level of loan	Frequency	Percentage
Sufficient	54	33.75
Insufficient	89	55.63
Barely sufficient	17	10.63
TOTAL	160	100

Source: Field Survey, 2012

Volume of loan received

Table 6 indicates that majority of respondents (38.75) acquired loan between N41, 000 – 60,000.This correspond to the finding of Eke (1997).

Table 6: Distribution of respondents based on volume of loan received

Volume of loan (N)	Frequency	Percentage
Volume of loan (N)		
20,000 – 40,000	30	18.75
40,001 – 60,000	62	38.75
60,001 – 80,000	28	17.5
80,001 – 100,000	22	13.75
120,001 – 140,000	18	11.25
TOTAL	160	100

Mean =X 64,250

Source: Field Survey, 2012

Interest Rate

Table 7: showed that, 61.25% of the respondents considered the interest rate as moderate, 27.5% considered it as low, 11.25% of the respondents considered the interest rate as exorbitant. This study revealed that NEAZDP charge 6% interest rate on agricultural loans. This allows farmers to seek more additional loans.

Table 7: Distribution of respondents according to their view on level of interest

Interest level	Frequency	Percentage
Exorbitant	18	11.25
Moderate	98	62.25
Low	44	21.5
TOTAL	160	100

Source: Field Survey, 2012

Cost incurred in obtaining loan

The study revealed that, 100% of the respondents did not incur any cost in obtaining loan from NEAZDP, in the study area as most of their loan are given through their formal procedure.

Time the loan was granted

Table 8: revealed that, majority of the respondents (63.13%) obtained their loan at the beginning of the farming season, 21.25% at the end of the farming season and 15.63% at the middle of the farming season.

Table 8: Distribution of respondents according to time the loan was received

Time	Frequency	Percentage
At the beginning of the farming season	101	63.13
At the middle of the farming season	25	15.63
At the end of the farming season	34	21.25
TOTAL	160	100

Source: Field Survey, 2012

Repayment performance

The result shows that majority of respondents (82.5%) repaid their loan, while only the remaining 17.5% did not repay their loan. This implies that the respondents are positively willing to repay their loan at any farm income.

IV. Conclusion

Credit performance of small- scale farmers in the north East Arid Zone Development programme (NEAZDP), was quite encouraging as the farmer utilized their loan mostly for agricultural production and majority had repaid back their loan at appropriate time.

V. Recommendations

- Based on the findings of the study, the following recommendations were suggested
- Awareness campaign by extension agencies should be intensified to educate farmers on how to obtain and rightly utilize agricultural loans
- The loan to farmers should be disbursed on time. Adequate financing of all projects and programme related to agricultural investment in the country like Agricultural development programme (ADP)
- Small –scale farmers be encouraged to form cooperatives in order to have access to funds through the cooperatives societies.
- The financial institutions should intensify supervision on all loans issued to farmers.
- Interest regimes on agricultural loans should be relaxed so as to lower the cost of borrowing for agricultural purposes.

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