

Accessibility of Credit Facilities by Farmers and Rural Industrialisation in Cross River State

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Abstract

Access to and utilization of credit has been recognized as an essential tool for promoting Small and Medium Enterprises (SMEs), especially in rural areas. About 70 percent of the Nigerian rural population is engaged in the informal sector or in agricultural production. The Federal and State governments in Nigeria have recognized that for sustainable growth and development the financial empowerment of the rural areas is vital, being the repository of the predominantly poor in society and in particular the SMEs. The study focused on achieving rural industrialization in Akamkpa Local Government Area in Cross River State. An interview session was held with the respondents. The interview was analyzed using content analysis. It was recommended that awareness should be created by extension agents in the rural area on various available credit sources and the existing farmers' group can be strengthened while federal government revisits the mandate of Micro Finance Banks to be more responsive to the need to rural farmers in term of credit facility.

Keywords: *Rural, Agriculture, Industrialization, Credit facilities, Micro Finance Banks*

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Background to the Study

The objective of rural industrialization is to achieve all-round development of an area as well as people living in such areas. One of the means of expanding economic activities in rural areas is through the provision of credit facilities to rural farmers. The supports personal savings set aside for investment. Yehuala (2008) maintained that rural credit is a temporary substitute for personal savings which catalyzes the process of agricultural production and productivity

According to Akinngbe and Adonu (2014), credit accessibility is important for improvement of quality and quantity of farm products so that it can increase farmer's income and also avoid rural migration. Tefera (2004) added that the lack of access to capital and credit in rural areas is a major factor that constrains the development of agriculture. Credit is not only needed for farming purposes but also for family and consumption expenses, especially during the off-season period (Bolarinwa and Fakoya, 2011). Credit has a crucial role for the elimination of farmer financial constraints to invest in farm activities, increasing productivity and improving technologies.

The Nigerian Agricultural Cooperative Bank (NACRDB) was established in 1975 to provide credit facilities to rural farmers in Nigeria. NACRDB provides all classes of agricultural loans for farming, livestock, poultry, fisheries, etc. under different portfolios. It is also charged with developing the economic base of the low-income groups through the provision of loans, accepting savings to facilitate the repayment of such loans together with appropriate interest, encourage the formation of cooperatives, encourage good banking habits amongst Nigerians, especially the target group, encourage capacity building through the training of beneficiaries on proper loan utilization, repayment savings and the formulation of strategies for the profitable marketing of products. The credits are designed to target specific groups of beneficiaries for the execution of projects assigned to each group such as micro and macro credit loan scheme, livestock development project and fish production projects. However, the implementations of the objectives of the bank are without challenges. Akinngbe and Adonu (2014) stated that most rural farmers are yet to appreciate its operation and gain from what it offers.

Objectives of the Study

The objectives of rural industrialization are many and variously defined; promotion of decentralization and balanced industrial growth, removal of economic inequality; devolution of social and political power; eradication of rural unemployment and under-employment; establishment of an agro-industrial base for the integrated development of rural and urban areas, etc.

- i. Evolution of a balanced pattern of location of the industry by providing facilities for industrial growth at dispersed centers, thus sealing down the increasing social costs of excessive urbanization.
- ii. Creation of new employment opportunities in areas of extensive or permanent unemployment.

- iii. The utilization of underutilized resources, including industrial raw materials, manpower, and electricity.
- iv. Initiation of a process of 'skill-formation' among the rural people generally, and among rural artisans in particular, so that more productive, modern techniques are popularised in rural areas
- v. Stimulation of local savings and capital formation and inculcation of a spirit of industrial initiative in rural areas (Adebayo and Adeola, 2008).

Recent studies have shown that there are challenges faced by rural farmers and other operators of small and medium businesses in trying to access credit facilities. This inability affects the expansion of agriculture and other economic activities in the area. This study is set to empirically investigate the impact of accessibility of credit facilities by rural farmers on industrialization in Akamkpa local government area of Cross River State.

Statement of the Problem

Rural farmers have insufficient savings to finance their various agricultural activities and this has led to a reduction in agricultural production. Akinagbe and Adonu (2014) revealed that they are faced with the problem of an insufficient fund for carrying out pre-planting, planting and post-planting operations due to the indiscriminate allocation of credit. 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.

Access to credit is a major problem of rural farmers. The needs for credit, however, tends to increase with every passing year as the rural farmers who constitute the work of the agricultural production do not have enough access to these credit facilities mainly due to their lending terms and conditions, interest rate and collateral. Most small-scale farmers are poor and lack savings and investment culture besides having limited access to credit. Akinagbe and Adonu (2014) added that lack of access to credit causes setbacks to the productivity of farmers as a result of the fact that, these farmers do not have the resources to procure improved seedlings, chemicals, and hired labour, as well as transport and market their products which would have improved their productivity, welfare and ultimately help in achieving economically sustainable production. To the situation further widens the poverty gap in rural areas in Nigeria. Access to credit facilities and other economic resources will enhance the capacity of the rural farmer and further promoted integrated development in the area. Anam, Felix, and Felix (2017) had argued that “rural poverty is caused primarily by limited access to resources”. These challenges justify this investigation on the impact of accessibility of credit facility on rural industrialization in Cross River State.

Methodology

The research adopted a survey research design. It was a mixed method in that it permitted the use of both quantitative and qualitative approaches. The area of study is Akamkpa Local Government Area of Cross River State. Akamkpa Local Government Area is in the Central Senatorial District and was created in 1976. It has a land mass of 4,300 square kilometers and is bounded by Odukpani and Akpabuyo Local Government Areas to the west and south,

Biase and Yakurr Local government Areas to the north-west. It is bounded by Ikom and Etung Local government Areas to the north, and the Republic of Cameroon to the west. There are ten wards in the local government area.

Akamkpa Local Government Area offers vast potentials for investment in agro-based industries, tourism, education and research into secondary uses of these products. Agriculture is a major economic activity in the area. With the largest forest area in the state and a very fertile land, watered by many rivers, streams, and springs, the people are mostly agrarian. There are a number of agricultural estates in the area. Some of these are:

1. Kwa Fall Oil Palm Estate
2. Ayip Eku Oil Palm Estate
3. Crel Rubber Estate
4. Calaro Oil Palm Estates

There is also a vast tract of reserved forest and gmelina and other pulp wood plantation, as well as privately owned rubber, oil palm and cocoa plantations and other forest products that are essential for the industrial development of the entire state and country.

The research adopted a research questionnaire and key informant interview schedules to obtain qualitative and quantitative data. Data were obtained from 400 respondents, 100 each of the above Oil Palm Estates. At the end of the sampling, out of the 400 questionnaires distributed, 365 were successfully filled and returned. The data obtained were analyzed using the chi-square statistical technique, tested at 0.05 level of significance.

Hypothesis

Accessibility of credit facilities by farmers does not significantly impact on rural industrialization in Cross River State.

Data analysis and discussion of findings

The study hypothesized that accessibility of credit facilities by farmers does not significantly impact on rural industrialization in Cross River State. Data obtained were analyzed with the use of chi-square statistical technique. The tables 1 and 2 below show the result.

Table 1

Chi-square analysis of the impact of accessibility of credit facilities by rural farmers on industrialization in Akamkpa local government area of Cross River State

Access to credit facilities by rural farmers and industrialisation in Akamkpa local government area of Cross River State	Responses		Total
	Yes	No	
Accessibility of credit facilities by farmers affects impacts on rural industrialisation	130	85	215
Accessibility of credit facilities by farmers does not impact on rural industrialization	55	95	150
Total	185	180	365

Source: Field survey, April, 2018

Table 2

Contingency table sharing the relationship between accessibility of credit facilities by farmers and rural industrialisation in Cross River State

Cell	O	E	O - E	(O - E) ²	(O - E) ² /E
1	130	108.97	21.03	442.2609	4.06
2	85	106.03	-21.03	442.2609	4.17
3	55	76.03	-21.03	442.2609	5.82
4	95	73.97	21.03	442.2609	5.98
Total	365				20.03

Source: Field survey, April, 2018

Cal (X^2) value = 20.03, Critical (X^2) value = 3.84, Df = 1 Level of significance = 0.05

Decision Rule

If the calculated (X^2) value is more than critical (X^2) value at 0.05 level of significance with specified degrees of freedom the null hypothesis (H_0) will be rejected while alternate hypothesis (H_1) will be accepted signifying a positive relationship between the variables of the hypothesis. But if otherwise retain null hypothesis (H_0) and reject alternate (H_1).

Since the calculated (X^2) value of 20.03 was higher than critical (X^2) value of 3.84 needed at 0.05 level of significance, with 1 degree of freedom. This means that null hypothesis which states that accessibility of credit facilities by farmers does not significantly impact on rural industrialization in Cross River State was rejected in favor of the alternate hypothesis. This also shows that the accessibility of credit facilities by farmers has a significant impact on rural industrialization in Cross River State.

The finding supports the position by Anam, Felix and Felix (2016) that industrialization has the capacity to expand economic activities in rural areas by promoting decentralization and balanced industrial growth, removing economic inequality; guaranteeing the devolution of social and political power, reducing rural unemployment and poverty, and also establishing a sustainable agro-industrial base for integrated development. In addition to this claim, Enu and Anam (2017) reiterated that “diversification is important for nation's long term economic development. A diversified economy is an economy that has a number of different revenue of sources that provides the country with the capacity for sustained economic growth because it does not depend on a single revenue source”.

Report from the focused group interview identifies certain constraints to accessing credit facilities by rural farmers in the area. This includes lack of acceptable collateral security required to secure loan and high-interest rate associated with credit procurement. Respondents disclosed that most of the credit institutions are not available in the rural area, the majority of the commercial banks are located in the urban centers, and hence farmers may not be able to have access to them. The few that have access to the commercial bank were constrained in accessing credit because of factors such as collateral security. Most credit institutions often have a high-interest rate which may discourage many rural farmers.

Others include lack of information regarding credit facilities, lack of adequate knowledge in the use of credit, poor communication problem between farmers and lender, poor management and handling of credit by farmers, unfair attitude of the lender, time between application and disbursement, insincerity and corruption, non-approval of loan and the risk of diverting credit for other purpose, other than agricultural production. The study identifies suggestions that will help improve the system.

Conclusion and Recommendations

The study was set to examine the accessibility of credit facility and its impact on industrialization in Cross River State. The result from the analysis of data shows that the null hypothesis which states that accessibility of credit facilities by farmers does not significantly impact on rural industrialization in Cross River State was rejected in favor of the alternate hypothesis. This also shows that the accessibility of credit facilities by farmers has a significant impact on rural industrialization in Cross River State.

To increase to credit facility by rural farmers the study recommends as follows,

1. Interest rates on credit facilities should be low and affordable
2. Microfinance bank must be more responsive to the need of farmers in term of credit facilities in the rural area and adjusting the lending terms and condition.
3. There should be a farmer's group formation. The group will function to sensitize rural farmers on how to source for and utilize credit in expanding their businesses, especially agricultural production.
4. Extension agents must play their role by sensitizing rural farmers on how and where to source for the credit facility. This will go a long way in improving farmers' access and use of credit and improving the timeliness of the credit too.

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