ABSTRACT

This research was designed to study the effect of creditacquisition and repayment on Agricultural production in Cross River State. Themajor objective is to study the effect of credit acquisition and repayment onagricultural production in the state. Specific objectives included:determination of credit disbursement and recovery strategies of agriculturalcredit institutions, determining and comparing agricultural production amongbeneficiaries and non-beneficiaries of credit schemes, identifying factors thataffect credit acquisition and repayment and to compare agricultural productionamong credit defaulters and non-defaulters.

The analysis was done with sample drawn from 120 farmers, 60beneficiaries and 60 non-beneficiaries and credit officers in Cross RiverState, by the use of a multistage sampling technique and structuredquestionnaire, which felicitated information on farmers credit use, repaymentrate, agricultural production of credit beneficiaries and non-beneficiaries,credits administration etc. Analytical tools used were descriptive statisticssuch as percentages, mean, frequencies, etc. to show the socio economic factorsinfluencing credit acquisition and repayment in the state, multiple regressionanalysis was used to estimate the production function of both creditbeneficiaries and non-beneficiaries and the chow test to determine themagnitude of the coefficient obtained from the two samples.

Cassava was used for the analysis of the production output ofbeneficiaries and non beneficiaries of credit because it is cultivated in the 3agricultural zones and a staple food of the people. The mean output of the cropfor both farmers taken from 3ha of land is 1520kg and 967.50kg respectively.The chow test result was 8.920 showing that the marginal effects of theregressors on the regressants vary. Findings showed that agriculturalproduction is still of minimal output. Among other factors, the socio-economiccharacteristics of credit beneficiaries influence rate of repayment and fornon-beneficiaries influence the acquisition of credit.

The study recommended among others that credit should bereleased to farmers during planting or stocking, Credit officers should reducebureaucratic processes to encourage farmers to borrow credit and my keyrecommendations based on the study were:

– Reduction of interest rate to at most 5percent to get more farmers to borrow.

• Long gestation periods of up to two years should be given toallow the farmers prepare for repayment.

• Increase in the credit amount because of the inflationary era weare into.

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CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND INFORMATION

In spite of the fact that oil still accounts for our majorrevenue (gearing toward 80percent) and almost 100percent of our export earnings(C.B.N,2003), agriculture especially farming, forestry, livestock and fishingis shown to be the major activity of Nigerians (Chigbu, 2004). Regrettably, thetrend performance has declined over the years. The sector growth remained at5.8percent between 1990-1993, falling to 3.5percent between1997-1998 and worsestill declining to an abysmal 1.8percent during the 1999-2001 periods (C.B.N,2003). The agricultural sector is expected to have a growth rate of between7percnt to 10percent, in order to have any meaningful effect on povertyreduction (Ekpo, 2004).

This ugly situation is attributed to poor and less resourcesutilization, as a result of lack of financial supportive measures like loans,subsidies, grants, etc toward agriculture (Chigbu, 2004). The contribution ofagriculture to the gross domestic product (G.D.P.) shows an average growth rateof 2.6percent (C.B.N, 2003), a development not good enough for a sectoremploying about 70percent to 80percnt of Nigerians. Food supply situation isnot favorable equally; it has been reported by the food and agriculturalorganization (FAO, 1994), that there is an average food deficit of 1.2percent,while the demand and supply of food stand at 3.7percent and 5percentrespectively. This is why the World Bank (2003) data showed that more than70percent of Nigerians live below poverty line, a situation that can bereversed through agricultural development.

The World Bank's statement about Nigeria's poverty level has notgone down well for a nation with abundant agricultural resources: differentvarieties of livestock and wildlife, an agricultural friendly climate, coastaland marine resources of over 960m shoreline and a large consumer market.

In Nigeria, agriculture is not practiced in a purposeful andenterprising manner. It is practiced more as a survival strategy, rather thanas a business venture. This is attributed to low-income status of farmers,which makes them seldom able to accumulate capital goods required forpurposeful and sustainable agriculture, causing their level of capacityutilization to be very low.

Availability of credit to farmers has been observed as one sureway of increasing agricultural output, through the improvement of efficiencyand the expansion of production. Credit to farmers according to Olatumbode(1990) would assist in the following ways:

Procure new improved technology in agriculture, purchase high yieldingand disease resistant crops, put more land into cultivation and organize thefarm better and more purposeful.

Insufficient extension of production credit to farmers accordingto Meyer (1986), is the more critical factor responsible for the decliningagricultural production. There is a big gap between the demand for and supplyof credit to farmers for agricultural activities. Problems faced by farmers inraising money for agricultural production is colossal, because according toChidebelu (1983), commercial and merchant banks are reluctant to give money foragricultural production. The reluctance is due largely to the fact thatagriculture is biological in nature, hence prone to risk.

The establishment of several credit schemes in Nigeria isintended to solve the problem of lack of credit to the agricultural sector.Efforts to encourage farmers in Nigeria with credit and other agriculturalincentives have only given individuals with political loyalty to the reigninggovernment access to exploiting the ordinary farmers. Such incentives usuallyget to the false farmers who use it for other non-agricultural activities.

Repayment of credit by farmers is a pathetic story; there is ageneral tendency of farmers not to repay credit. F.A.O (1994) asserted that theinability of small-scale farmers in developing countries to repay credit couldbe traced to imperfection of the delivery system, a host of institutionalfactors and to the farmers themselves. Some of these factors include:inadequate supervision and quality of supervisory staff, poor market outlets,poor management ability of the borrowers, poor selling prices, unsuitabledisbursement procedures, wrong attitude of farmers towards credit (regarded asgift from government), natural disasters, etc. Problems of repayment alsostifle further credit to farmers, since most agricultural credit recycles.

Small-scale farmers are supposedly potential beneficiaries ofagricultural credit in Nigeria, but are hampered by their small peasantholdings found over wide remote areas which makes supervision by creditofficers difficult (Eze, 1997). To reap the benefits of credit, informationrelating to sources of credit is required by farmers. Such information mayinclude

names of lenders, location and types of existing credit. They also needinformation on the terms of credit such as interest rate, credit amount andmode of repayment.
Credit institutions are the major source through whichsmall-scale farmers can gain access to formal credit (Klonner, 2003); but thefarmers are constrained by high interest rate and collateral. This developmenthas informed successive Nigeria governments to initiate programmes and policiesthat would ensure adequate transfer of cheap credit to small-scale farmers(Nweze, 2001). These programmes and policies have over the yearsgiven rise to.

- The Agriculture Credit Guarantee Scheme Fund (A.C.G.S.F) inApril, 1978.
- The community Bank of Nigeria (C.B.N) in 1990
- The Family Economic Advancement Programme (F.E.A.P) 1997
- Nigeria Agricultural, Co-operative and Rural Development Bank(NACRDB), which is the most recent.

EFFECT OF CREDIT ACQUISITION AND REPAYMENT ON AGRICULTURAL PRODUCTION IN CROSS RIVER STATE NIGERIA