

Cassava Farmers' Perceived Benefits From the Financial Services of the Bank of Agriculture in Oyo State, Nigeria

Adamu, C. O., Adebayo, O. A And Oose, M. O.

Department of Agricultural Extension and Rural Development,

Federal University of Agriculture, Abeokuta, Ogun State

oosematthew@gmail.com; 08033020406

Abstract

There is no denying the fact that agriculture is the backbone of rural economy but its sustainability is plagued with lack of financial assistance to farmers. In view of this, the study assessed the perceived benefits derived from the financial services of the Bank of Agriculture by cassava farmers in Oyo State. Multistage sampling procedure was used to select 131 cassava farmers who have benefited from the Bank of Agriculture (BOA). Interview schedule was used to collect data on socio-economic characteristics and types of financial services received by the farmers. Data were analysed using descriptive statistics, chi-square and Analysis of Variance (ANOVA). Results showed that mean age of farmers was 43 years with 92.4% of them being male. Majority (96.2%) of the respondents received financial assistance in form of credit facility and insurance. There was significant association among financial services eligibility ($\chi^2=0.02$), educational level ($\chi^2=0.01$) and perceived benefits from BOA's financial services ($P=0.05$). Also there was no significant difference in the perceived benefits derived by respondents across the study areas ($F=0.98$, $P=0.05$). The study concluded that since educational level affects perceived benefits, there should be an integration of other institutional support services with the credit facility by the Bank of Agriculture (BOA) to fast track agricultural development.

Keywords: Bank of Agriculture; Cassava farmers; Perceived benefits; Financial service

Introduction

The soaring increase in global food prices has moved agricultural finance to the top of African and international development agenda. Agriculture is and continues to be a major building block in economic success and the achievement of the Millennium Development Goals (MDGs) in most African Countries. According to Federal Ministry of Agriculture and Natural Resources (2012), Nigeria is one of the world's largest cassava producers and its cassava transformation is the most advanced in Africa. However, the scope for increasing the use of cassava in Nigeria's industries is to a large extent determined by the development of an efficient and well-integrated production and marketing

system to ensure a steady supply of cassava products that are of high quality, stable, affordable and of specific properties required by domestic industries and export markets.

The Nigerian agricultural policy recognises the vital role of agriculture finance in attaining the much desired green revolution. A major focus of the policy is to establish a system of sustainable agricultural financing schemes, programmes and institutions that would provide micro and macro credit facilities for the small, medium and large-scale producers, processors and marketers. However, public expenditure on agriculture which serves as the bedrock of financing the sector has consistently fallen short of

recommendations. It is therefore not surprising that these policies have failed to achieve the set goals of food self-sufficiency and self-reliance, poverty reduction and rural development (Eze *et al.*; 2010).

The fact of the matter is most of the smallholder farmers lack access to capital to acquire the needed inputs to increase their productivity and incomes and reduce their poverty. Farmers require credit to purchase seeds, fertilisers, herbicides and buy or rent mechanised equipment and related services. The effectiveness of credit is not only availability of fund to purchase all these aforementioned needs of these poor resource farmers but meeting the credit need of the small-scale farmers should be effective credit-value added services. Olagunju and Adeyemo (2007) noted that in a well supervised credit scheme, availability of credit in cash coupled with extension services should not only lead to the enhancement of on-farm capitalisation but will also give room for better farm management and a more efficient utilisation of resources with increased investment in modern inputs, farmer's production and behaviour is expected to be re-oriented toward higher productivity.

Bank of Agriculture was established with the aim of ensuring effective delivery of agricultural and rural finance services on a sustainable basis to support the nation's economic development agenda including food security, poverty reduction, employment generation, reduction of rural-urban migration, less dependence on imported food items and increase in foreign exchange earnings through provision of credit facilities to all categories of farmers specifically small-scale farmers. Agricultural productivity in the nation has not reached a major landmark as this is evident from increased budgetary

expenditure on food importation (Okolo, 2004) and various restructure policies and new ones in the past few decades. This study was carried out to assess the finance services of the Bank of Agriculture on production activities of cassava farmers in the study area. Therefore, the general objective of the study was to assess the benefits derived from the financial services of the Bank of Agriculture to production activities of cassava farmers in Oyo State. The specific objectives of the study were to: describe the socioeconomic characteristics of the cassava farmers in Oyo state; determine the accessibility of cassava farmers to financial services of the Bank of Agriculture; examine the perceived benefits derived from the financial services of the Bank of Agriculture to production activities of cassava farmers and investigate the constraints faced by the cassava farmers in the course of seeking financial assistance from Bank of Agriculture (BOA).

Based on the drawn up objectives, these null hypotheses were tested; Ho₁: There is no significant relationship between cassava farmers' socio economic characteristics and accessibility to financial services of the Bank of Agriculture, Ho₂: There is no significant difference in respondents' perceived benefits derived from Bank of Agriculture (BOA) across the three study locations.

Methodology

Description of the study area

The study was carried out in Oyo State, Nigeria. The study area lies between latitude 7° 3' and 9° 12' North of the equator and longitude 2° 47' East of the meridian; characterised by two climatic seasons. These are the dry season (between November and March) and the rainy season (between April and October). The state is

made up of 33 local government areas in four agricultural zones (Ogbomoso zone, Ibadan/Ibarapa zone, Oyo zone and Oke-Ogun zone) and three senatorial districts (Oyo North, Oyo Central and Oyo South senatorial districts), with a population of 5,591,585 people (National Population Commission, 2006). The state is homogenous in culture, with the main people being of the Yoruba ethnic group who speak Yoruba language and with rich culture and strong kinship ties.

Sampling procedure and sample size
Multistage sampling technique was used to select respondents for this study. Purposive sampling technique was used to select the three senatorial districts in Oyo state and this was based on the fact that members of the Nigerian Cassava Growers Association (NCGA) were resident in the three locations. Furthermore, Local Government Areas (LGAs) with NCGA were purposively selected namely Iseyin LGA, Oyo East LGA and Ibarapa LGA. Simple random sampling technique was used to select 50% of the NCGA members that have benefited from BOA financial services in the last five years from the three (3) selected LGAs. Therefore, a total of 70 respondents from Iseyin, 30 respondents from Oyo and 31 respondents from Igboora making up 131 cassava farmers were selected. The data obtained were subjected to descriptive (frequency distribution, percentages, mean and standard deviation), inferential (Chi-square, Pearson Product Moment Correlation (PPMC) and Analysis of Variance) statistics using Statistical Package for Social Science (SPSS) version 15.0.

Result and discussion

Socio-economics Characteristics of Cassava Farmers

Table 1 shows the mean age of the cassava farmers to be 43 years. Majority (70.2 %) of the respondents were in the age group of 41-50 years while 1.5% of the cassava farmers were in the age group of 51-60 years. Based on World Health Organisation average life expectancy chart 2011 of 52 years for Nigeria, it can be inferred that cassava farmers in Oyo State are within their productive state and are below their life expectancy. Thus, many of the farmers were agile and able-bodied. This reason may account for why beneficiaries demanded for credit facilities.

Majority (92.4%) of the respondents were male while 7.6% were female. This implies that arable crop farming (particularly cassava farming) in the study area is predominantly for male farmers. This is in line with record of Food and Agriculture Organization, FAO (2004) that noted low participation of women in arable crop production as a result of lack of access to credit facilities and membership in rural organization which has adversely affected the access of women farmers to agricultural inputs and technologies. Majority (98.5%) of the cassava farmers were married. It can be inferred that married cassava farmers have more access to BOA loans, since marital status could increase credibility of the farmers and also show their level of responsibility.

Table 1: Socio economic characteristics of respondents (n = 131)

Variables	Frequency	Percentage	Mean
Age (Years)			
? 30	21	16.03	42.8
31-40	16	12.21	
41-50	65	49.63	
51 and above	29	22.13	
Sex			
Male	121	92.4	
Female	10	7.6	
Marital status			
Single	2	0.8	
Married	129	98.5	
Educational status			
No formal education	12	9.90	
Primary education	10	7.63	
Secondary education	7	5.34	
Tertiary education	102	77.63	
Household size (Persons)			
≥3	24	18.33	6.85
4 and above	107	81.67	
Farm experience (Years)			
≤ 10	12	9.17	16.0
11-20	84	64.12	
21 and above	35	26.71	

Source: Field survey, 2014

Accessibility of Financial Services by the Cassava farmers

Table 2 shows the distribution of the respondents according to number of times individual respondents have been able to secure financial services from BOA. Majority (99.2%) of the respondents were able to secure financial services from the bank between 2 and 5 times while 0.8% of the respondents received financial services once. Table 2 also shows the perception of the farmers to how accessible the process of financial services is. Most (71.8%) of the respondents rated the process of financial services accessibility as easy, 27.4% rated the process of financial service as difficult, while .very few (0.8%) of the respondents rated the process of financial services as very difficult. It

can be inferred from the study that government financial services such as BOA, when compared with other sources of financial services in terms of repayment schedule, interest rate and other services more or less aids to boost the sector. Meanwhile, global reports on the level of disparities between the accessibility of formal and informal services show that rural households in developing countries are still largely reliant on informal sources for their finance needs (Making Finance Work for Africa, [MFW4] 2012). Therefore, farmers' accessibility to financial services should be encouraged by the concerned institutions through friendly policies as regards beauracatic process of financial services and eligibility

Table 2: Accessibility of cassava farmers to financial services of the Bank of Agriculture

Variables	Frequency	Percentage
Number of Times		
Once	1	0.8
2-5 Times	130	99.2
6-10 Times	0	0.00
More than 10 Times	0	0.00
Accessibility		
Very Easy	0	0.00
Easy	94	71.8
Difficult	36	0.8
Very Difficult	1	0.8

Source: Field survey, 2014

Table 3: Constraints Faced in the Course of Seeking Financial Services from BOA (n = 131)

Items	VS	S	LS	NP	Mean Rank
Untimely disbursement of credit	129(98.4)	0(0.00)	1(0.8)	1(0.8)	3.961 st
Close monitoring of loan	7(5.3)	91(69.5)	32(24.4)	1(0.8)	3.043 rd
Risk and uncertainty involved in farming	9(6.9)	89(67.9)	4(3.1)	29(22.1)	2.597 th
Lack of awareness about bank operations	9(6.9)	82(62.6)	33(25.2)	7(5.3)	2.716 th
Administrative charges	7(5.3)	89(67.9)	34(26.0)	1(0.8)	2.785 th
Mode of repayment is not convenience	4(3.1)	111(84.7)	9(6.9)	7(5.3)	2.854 th

Constraints Facing Cassava Farmers in the Course of Seeking Financial Services

Results in Table 3 shows that untimely disbursement of credit was a very serious constraint to cassava farmers in the study area with a mean value of 3.96. Sourcing for guarantors as part of collateral demanded and other criteria for financial service eligibility follow in the order of ranking with 3.37 value while close monitoring of loan followed with a mean score of 3.04. This agrees with reports by Ololade and Olatunji (2013) that untimely disbursement of credit and lack of guarantors were seen as the major problems facing farmers in accessing financial services.

Results in Table 4 show that there was a high response to variables with mean value of 4.74. Credit facility was the major financial service received by the cassava farmers from BOA in the study area. This shows that credit and its potential for helping farmers have grown and have become the point of interest. These potentials are not that farmers should get access to credit alone but also access to other financial products and services. There is also an increase in the level of production of the cassava farmers through financial services received from the bank with mean value of 4.39. This implies that farmers are able to

increase their capacity through acquisition of loans from BOA. Therefore, credits from the bank enabled cassava farmers to expand their level of production resulting in higher income from sale of increased farm yields. As a result, they are able to increase their savings. This is in line with reports of Okon *et al*; (2012) who reported that credit has increased cassava production in the study areas. The empowerment of the farmers from this perspective is still to be assessed.

Other responses such as secure sales, procurement of input, agricultural extension advisory services, effective credit monitoring, supervision and evaluation, and profit margin agricultural insurance policies indicate low esteem in the mean value as they ranked 8th, 11th, 9th, 7th, 5th, 8th respectively. This indicates that there is inadequate other financial services in the Bank of Agriculture in the study area and this is against policy recommendation of the World Bank at a conference (Agricultural Finance in Africa) held in Tunis (MFW4A, 2012). The result also corroborates that of Adebayo *et al*; (2014) that information as key factor that encompasses all aspects of agriculture, ranging from loan awareness, procurement, disbursement, monitoring and utilisation and advisory services is not effective

Table 4: Cassava Farmers' Perceived Benefit Derived from Financial Services of the BOA (n = 131)

Variables	SA	A	U	D	SD	Mean	Rank
There is increase in your production due to accessibility of financial services from BOA	64(48.9)	62(47.3)	0(00.0)	3(2.3)	2(1.5)	4.39	2nd
There is increase in your income due to accessibility of financial services from BOA	23(17.6)	66(50.4)	3(2.3)	37(28.2)	2(1.5)	3.51	4th
There is increase in profit made over periods of time income due to accessibility of financial services from BOA	4(3.1)	22(16.8)	66(50.4)	36(27.5)	3(2.3)	2.90	5th
You increased your farm size because of financial assistance received by BOA	32(24.4)	48(36.6)	26(19.8)	13(9.9)	12(9.2)	3.57	3rd
You received regular agricultural information when you begin to bank with BOA	6(4.6)	2(1.5)	0(00.0)	36(27)	87(66.4)	1.50	7th
There is effective credit utilisation guidance from the BOA	3(2.3)	5(3.8)	0(00.0)	64(48.9)	59(45)	1.69	6th
BOA provided sales outlet for your cassava produce as part of their financial assistance	0(00.0)	0(00.0)	0(00.0)	39(29.8)	92(70.2)	1.29	12th
There is update on knowledge about farm management from the BOA	0(00.0)	0(00.0)	0(00.0)	45(34.4)	86(65.6)	1.34	9th
BOA linked you to source of farm input at low cost as part of their financial assistance	0(00.0)	0(00.0)	0(00.0)	41(31.3)	90(68.7)	1.31	11th
Easy access to improved cassava steams form part of benefits derived from BOA	0(00.0)	0(00.0)	0(00.0)	44(33.6)	87(66.4)	1.33	10th
BOA secured your farm against financial risk as part of their financial assistance	0(00.0)	0(00.0)	0(00.0)	63(48.1)	68(51.9)	1.48	8th
BOA secured your farm against natural disasters as part of their financial assistance	0(00.0)	0(00.0)	0(00.0)	64(48.9)	67(51.1)	1.48	8th
Credit facility formed the major basis of financial services you received from BOA	98(74.8)	33(25.2)	0(00.0)	0(00.0)	0(00.0)	4.74	1st

Source: Field Survey, 2014

Figure in parenthesis are percentages

Legend: SA= Strongly Agree; A= Agree; U= Undecided; D=Disagree; SD= Strongly Disagreed.

in relation to bank roles in an information-dependent sector like agriculture where there are new and rather complex problems facing farmers everyday".

Test of relationship between socioeconomic characteristics of the cassava farmers and their accessibility to BOA

This was tested using Chi-square analysis and the results are presented in Table 5. The socioeconomic characteristics considered were age, sex, household size, marital status, education, religion and farming experience. Findings showed significant relationships between farmers' educational status ($\chi^2 = 8.793$, $df = 4$, $p < 0.05$). This observation shows that accessibility to financial services from the Bank of Agriculture is influenced by the farmer's educational status.

Test of difference of respondents' perceived benefits derived across the study locations

Table 6 shows that there was no significant difference among respondents' perceived benefits across the study locations. ($F = 0.980$, $p < 0.05$). This implies that the benefits derived by the respondents across the study locations were not different from each other and therefore the hypothesis was accepted. The reason may be adduced to the fact that credit facilities formed the major basis of financial services received from BOA by cassava farmers across the locations leaving out other areas of value-added services that might have accounted for disparities in benefits derived.

Table 5: Test of relationship between socioeconomic characteristics and accessibility to BOA

Variables	Chi square	df	p-values	Decision
Age	4.330	3	0.621	Not
Significant				
Sex	0.286	1	0.593	Not
Significant				
Marital status	0.132	2	0.66	Not
Significant				
Educational status	8.793	4	0.0070	Not
Significant				
Religion	0.140	2	936	Not significant
Household size	10.01	2	0.22	Not significant
Farming experience	0.674	2	0.90	Significant

Source: Field survey, 2014; p-value is significant at the 0.05 level

Table 6: Test of difference of respondents' perceived benefits derived across the study locations

Variables	Sum of square	DF	Mean square	F	Decisions
Between Group	1.489	2	0.745	0.980	NS
Within Group	4686.068	128	36.6	10	
Total	4687.557	130			

Source: Field survey, 2014

Conclusion and Recommendation

Based on the findings of this study, most of the respondents were male literate farmers. The major perceived benefit of the BOA by the cassava farmers was credit facility given by the bank. In addition, the major constraint reportedly faced by the farmers was untimely disbursement of credit while perceived benefits from the BOA derived by the farmers across the three study locations were the same. Apparently, the BOA's major financial service as perceived by the farmers was credit provision. It is therefore recommended that the BOA should pursue strong extension advisory services and also endeavour to encourage more women farmers to join the NCGA so that ultimately, they will enjoy BOA's financial services.

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