Effect of Extension Information on Credit Utilization in a Democratic and Deregulated Economy by Farmers in Ondo State of Nigeria

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ABSTRACT

Acquisition and utilization of credit for agricultural purposes aid production and consequently make food available for the populace. Farmers must be aware of the credit opportunities available at their disposal before such opportunities could be explored. To this end, extension information is vital. It is against this background that the study investigated the effects of extension information on credit acquisition and utilization. Some of the findings revealed that only 11.7 percent of the respondents were visited by extension agents. It was also found that information on technology and credits were ranked highest, among the relevant extension messages. However, extension contact, frequency of extension visit and credit size had no significant relationship with credit utilization but education had. Therefore, it was recommended that the educated farmers in the communities should be made to play a role model to the non-educated in the use of obtained credit.

1.0 INTRODUCTION

Farmers have been known for their efforts to produce food for their immediate households and the general populace. The dividend of these efforts is, however, far below the expected (FAO 1986). According to Ewuola et al (2000), price of food for instance, is still not within the reach of the common people and moreso; industries are still being starved of local raw materials. Consequently, there is an increase in the percentage of imported agricultural and its allied products into the country.

Apart from the efforts of the government, in turning the trend around, (Oludimu 1999), research finding on improved food technologies according to Ewuola et al (2000) have been substantially made available to farmers through extension services.

However, while extension services employ several strategies for reaching the farmers with the new technologies from research, adoption by the farmers remains low (Okunlola et al 1998). This is because farmers have only marginally benefited from such technologies. The low level of adoption may not only be social (effects of beliefs and values) or psychological (lack of interest and motivation) but economic. (Lacking in resources) (Daramola, 1989).

Farmers require fund for both capital investment and other relevant expenses. Where this is available, farmers would be able to adopt and practise innovations. A large percentage of farmers are, however, generally poor and cannot afford even their primary necessities for personal welfare and farming activities (Alfred 1994). Access to credit facilities would, therefore, be of great advantage to farmers' solutions to their financial bottlenecks.

According to Odubanjo (1981), if credit were made available, the retarded agricultural sector would start moving. This was further buttressed by Ijere (1982), who opined that credit in agriculture is an important resource since it provides the opportunity to use additional inputs and capital items now and to pay the cost from future earnings.

It was in line with the following that made the Government to establish the Nigerian Agricultural and Cooperative Bank in 1972 and today some commercial banks have department for agricultural financing, which are charge with granting of credits/loans for financing agricultural projects. The Central Bank of Nigeria also has as its own role, the funding and management of an Agricultural Credit Guarantee Scheme (ACGSF)

More importantly too in this discussion of agricultural finding, particularly in a democratic and deregulated economy such as Nigeria. It behoves that the financial institutions would be more willing to find agriculture since it is assumed that, government policies a they affect the economy, would be more humane and strictly

based on generally acceptable rules ad regulations where freedom to make investment by the populace would no longer be under the rigid control associated with the non-democratic economy.
There is, however, according to Alfred (1994), a high tendency of farmers not utilizing credit for the intended purpose. According to him, diversion of fund is rampant among rural farmers. Where credits are made available to the farmers, such credits are often poorly utilized or diverted to non-agricultural purposes. This may be attributed to lack of guidance or supervision from the appropriate agencies.
It is therefore hypothesized that adequate and relevant extension information could assist the farmers in making the requirement for credit facilities in the judicious and prioritized utilization of such facilities. Premised on this hypothesis, this study examined the effect of extension information on credit utilization in Ondo State.

Specifically, the objectives of this study include:

- determining of socio-economic characteristics of the respondents,
- identifying the roles of extension on acquired credit by farmers,
- examining the effect of the size of acquired credit on the level of its utilization, and
- determining the effect of extension contact on the level of credit utilization.

2.0 METHODOLOGY

The study was undertaken in Ondo West and Ondo East Local Government Areas of Ondo State. The two Local Government Areas are prominent growers of cocoa and kolanut in addition to that of cassva, yam, tomatoes and vegetables. Eight communities, four from each LGA were randomly sampled for the study. Three wars from each community were randomly selected. In each ward, 5 farmers were randomly interviewed given a total of 15 farmers in each community.
In all, 120 respondents were interviewed but it was 111 respondents that were finally used for the study. The data collected was analysed using Frequencies Percentages and Chi-square.

Measurement of Variables:

Extension Contact : whether the respondents were ever visited by extension, measured as Yes or No
Frequency of extension visit : how frequent the respondents received the extension agents, weekly, fortnightly or monthly for instance
Credit Size: figure of the amount of credit ever collected, the figures were later classified
Role of Extension : Respondents were made to respond to some questions bothered on credit. The frequency of each question was obtained and graded in to positions.

3.0 RESULT AND DISCUSSION

Socio-Economic Characteristics :
The Socio-economic characteristics of farmers, include age, sex, level of education, farm size, marital status etcetera. These characteristics were variables that were likely to have effect on credit acquisition and utilization by the farmers.

Table 1 : Distribution of Respondents by Some Selected Personal Characteristics / Socio-economic characteristics

Variable	Frequency	Percentage
Sex		
Male	71	64.0
Female	40	36.0
Total	111	100.0
Age		
15 – 30	28	25.2
31 – 45	23	29.7
46 – 60	37	33.3 mean = 43 years

Above 60	**13**	**11.7**
Total	**111**	**100.0**
Educational Level		
Non – formal	**28**	**25.2**
Primary	**56**	**50.5**
Secondary	**20**	**18.0**
Tertiary	**7**	**6.3**
Total	**111**	**100.0**
Farm size		
Less than 5.99ha	**23**	**20.8**
6-10ha	**34**	**30.6**
>10ha	**54**	**48.6**
Total	**111**	**100.0**
Farm Enterprise		
Cash Crop only	**16**	**14.40**
Food Crop only	**23**	**20.70**
Food & Cash Crop	**69**	**62.2**
Livestock and Crop	**3**	**2.7**
Total	**111**	**100.0**
Income		
< ₦ 20,000.00	**36**	**32.5**
₦ 20,001 – 30,000.00	**51**	**45.9**
Above ₦ 30,000.00	**24**	**21.6**
Total	**111**	**100.0**

Source : Field survey, 2003

Table 1 shows the personal characteristics of the respondents. It was found that 64.0 percent of the respondents were males while 36.0 percent were females. A large percentage of the respondents may likely have had access to credits since more males were known to be more accessible to productive sources than the females (Ewuola, 1985). The Table also shows that the mean age of the respondents was 43 years. At this age the respondents are still active in farming activities and so likely to be able to meet the collateral for credit acquisition. There was an indication that not less that 75.0 percent of the respondents could read and write since only 25.0 of them had no formal education. It was expected that high literacy level would assist the farmers in the understanding of the intricacies of credit acquisition, utilization and payment.

Data in Table 1 show that 78 percent of the respondents had more than 5 hectares of farm size. This arose from the fact that 30.6% had between 6-10ha while 48.6 had above 10ha. The average farm size was 10 hectares. This shows that, a large percentage of the farmers had big farms. The largeness of the farms could likely encourage the farmers to seek for credit particularly if, it leads to yield increase the nature of farmers enterprise could determin his viability to seek for credit or not. Naturally, both crop and livestock enterprises have their own risks. So also, the nature of crops, that is, whether it is food crop or cash crop, could determine the attractiveness of the enterprise for loan acquisition. According to Table 1 it was found that 14.4 percent of the respondents grew cash crops only, 20.7 percent grew food crop only, while 62.2 percent combined food and cash crops. Also, 2.7 percent of the respondents combined livestock and crop production. The enterprise with more potential for repaying back loans may likely seek for loan more than those who had not.

The result of the study also showed that 32.4 percent of the respondents earned less than 20,000 Naira as annual income. 45.9 earned between 20,000 and 300,000 Naira while 21.6 earned above 30,000 Naira. The relative high average income might be attributed to the large percentage of the respondents (62.2%) combining the production of cash and food crops. Farmers who could generate enough income to meet their farming expenses may not seek for credits.

Table 2: Distribution of Respondents by Credit Operations

Operation of Credit	Frequency	Percentage
Operating Bank	21	18.9
Not operating Bank	90	81.1
Total	111	100.0
Source of Credit		
Institutional Source	5	4.5
Non-Institutional Source	83	74.8
Both Institution & Non-Institution	23	20.7
Total	111	100.0
Reasons for taking Loans		
For agricultural purpose	62	55.4
For non-agricultural purpose	49	44.6
Total	111	100.0
Range of Loans Acquired by Beneficiaries		
No utilization	7	6.3
1-10,000	32	28.8
10,001 – 20,000	27	24.3
20,001 – 30,000	5	4.5
Above 30,000	40	36.0
Total	111	100.0

Mean = ₦ 19,909.00
STD = ₦ 1,889.7.00
Source : Field Survey, 2003

RESPONDENTS' CREDIT OPERATIONS

The study according to Table 2 showed that 18.9 percentage of the respondents operated bank account while 81 percent did not. The low percentage of bank operation might be the reason adduced for why 74.8 percent of the respondents, who had access to credit, received credit from non-institutional sources while 20.7 percent received from both institutional and non-institutional sources and 4.5 percent received from institutional source. The reason why larger percentage of the respondents sought for credit from non-institutional sources might be because many were not aware of the opportunities within the institutional set up, especially if extension contact is low. That not withstanding, non-institutional sources are more accessible to the ruralites than the institutional sources and more so, that the conditions for the non-institutional sources could be more easily met than the institutional source.

In addition, among those who obtained loans, according to the finding, 55.4 percent took agricultural loan, while 44.6 percent took it for non-agricultural purposes.

Furthermore, findings showed 28.8% of the respondents had benefited to the tune of less than ₦10,000 while 24.3%, 4.5% and 36.0% had benefited to the tune of between ₦10,000 and ₦20,000, between 20,000 and 30,000 and above ₦30,000 respectively. However, 6.3% of the respondent never benefited from loan.

From this result, it could be observed that a larger percentage benefited from loan. This might be an indication therefore that, farmers are quite aware of credit. This may therefore be attributed to the efforts of extension information.

Table 3 : Distribution of Respondents by Frequencies and Sources of Extension Visits

Sources of Information	Frequency	Percentage
Institutional Source		3.6
Non-Institutional Source		3.6
Both of the above		4.5
None of the above		88.3
Total		100.0
Frequency of Visit		
Fortnightly (bi-weekly)		0.9
Monthly		0.9
Yearly		9.9
Not at all		88.3
Total		100.0

Source : Field Survey, 2003

Further investigation showed that the utilization of funds was on such things as hired labour, purchase of inputs like fertilizer, chemicals, seeds etc. family upkeep and other social engagements.

EXTENSION VISIT

Frequency and timeliness of extension visits have been found to positively correlate with adoption of innovation (Williams et al 1984). Findings showed that extension workers visited only 11.7 percents of the respondents. Of this, 3.6 percent received message through either institutional or non-institutional sources while 4.5 percent used both.

According to the result, about 0.9 percent of the respondents were visited bi weekly and the same percentage monthly while 9.9 percent were visited yearly. Based upon this result, the contribution of extension to agricultural development, in the study was abysmally low. There was, therefore, as indication that the beneficiaries of credit might not have received adequate guidance on the utilization of such facilities. This trend could result in credit diversion and subsequent default in repayment terms. Extension information is required in ensuring timeliness of credits and input availability.

Table 4: Role of Extension to Respondents

	Role	Frequency	Rank
I	Extension had: Introduced me to new technology	13	1st
Ii	Informed me on the use of credit	13	1st
iii.	Shown me where to obtain credit	10	3rd
iv.	Assisted me in completing necessary documents	9	4th
v.	Reminded me the essence of paying back regularly	9	4th
vi.	Made input available for my use	8	6th
vii.	Identified for me where to expend the credit obtained	6	7th
viii	Taught me how to keep records	5	8th
Ix	Served as guarantor	1	9th

Source : Field Survey (2003)

Table 4 showed the extension messages that were relevant to credit acquisition and utilization. It was found that information on technology and credits were ranked highest, while serving as guarantor for credit to the farmer, had the least rank. The frequencies on the Table (Table 4) show those of multiple responses by the 11.7% of the respondents that were visited. This result implies that the farmers who were visited by extension were more likely to better utilize their credits than those who were not.

Table 5 :Chi-Square Calculation of the Relationship Between Selected Variables and Credit Utilization

Variable	X^2 Calculated	X^2 Tabulated	df	Level of significance	Decision
Contact with extension	1.3048	9.4877	4	0.05	NS
Frequency of extension visit	7.9261	21.6261	12	0.05	NS
Credit size	10.7384	26.2862	16	0.05	NS
Sex	1.7354	9.4877	4	0.05	NS
Marital Status	12.917	26.296	16	0.05	NS
Age	6.642	21.026	12	0.05	NS
Household size	7.134	15.507	8	0.05	NS
Education	29.299	21.026	12	0.05	S

Source : Field Survey (2003) NS = not significant

Table 5 shows that there is no significant relationship between frequency of extension visit contact with extension, credit size and credit utilization. This finding did not corroborate with past findings (Williams et al, 1984, Ogunfiditimi, 1981), which showed that both extension contact and frequency of visit had significant relationship with adoption of innovation. The reason might be because; nature of credit, unlike other innovations is influenced by other factors such as problem of acquisition, problem of repayment and tendency for diversion.]

Further findings from the study showed that only education has significant relationship with credit utilization while other variables such as Sex, Marital Status, Age, Household size and credit size did not. This result might be because a literate farmer would more easily get direction for better investment and record keeping, which could assist for effective cash utilization.

4.0 CONCLUSION

The study shown that farmers could not do much of production farming activities where credit facilities were lacking since the farmers generally had low income. Farmers might not be aware of credit opportunities without their attention being drawn to it. The role of extension information has therefore, been found to be substantial in this regard as if ranked highest from farmers responses be low. Information from extension service was found to address specific assignments germane to credit utilization nonetheless, with more timely and frequent visit by extension agents to farmers, more farmers would likely understand what is involved in credit acquisition and positive utilization since the non-significant relationship that was obtained between extension contact and credit utilization was likely to be as a result of the very low contact.

Furthermore, credit size was also found to have non-significant relationship with credit utilization. Therefore, no matter the size of credit, guidance for effective utilization would achieve the intended purpose, given that education was found to have significant relationship with credit utilization.

Premised on the result of this study, it is hereby recommended that, since education was significantly related to credit utilization, the educated farmers in the communities should be made to play a role model to the non-educated in the use credits. Punitive measures such as denial of future credits should be meted to those that divert credits from agricultural purpose while the conformers should be rewarded.

Therefore, no matter the size of the credit, guidance for effective utilization would achieve the intended purpose, given that education was found to have significant relationship with credit utilization.

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