Determinants of Credit Sources for Cash Crop Marketing in Benue State of Nigeria

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ABSTRACT

Marketing of cash crops in Nigeria is on a diminishing trend due to inability of marketers to access proper and efficient agricultural credit to expand their marketing system. Hence, this study aimed to assess the sources of agricultural credit for cash crop marketing in Benue State, Nigeria. Well-structured questionnaire were administrated to 120 cash crops marketers in the study area. Descriptive analysis was used to describe the socio-economic characteristics of the respondents; identify the various sources of agricultural credit and the problems encountered by the marketers. Regression analysis was used to ascertain the factors determining the amount of loan accessed by marketers in the study area. The result shows 78.33% of the respondents are ageing, 81.67% of the respondents are small scale marketers 91.7% of the respondents are literate. The average household size 8. The major source of credit for the marketers is informal source (54.17%) which comprises of the money lenders, family and relatives. The determinants of sources of agricultural credit accessed by the cash crop marketers are scale of business (1%), household size (5%) and marketing experience (10%). It is therefore recommended that government should enact policies aimed at encouraging cash crop marketers to access formal sources of credits.

Key words: Agricultural credit, cash crops, marketing, Benue State, Nigeria.

1.0. INTRODUCTION

1.1 Background of the Study

The growth and development of many developing countries are largely dependent on cash crop production mainly for the purpose of foreign. The sole dependence of these developing countries on a few export commodities exposes them to adverse economic impacts, sometimes with harmful consequences for growth and the reduction of poverty (ICO, 2003).

One of the major factors that have contributed to the reduction the marketability of these cash crops is marketers' limited access to credit facilities. According to Alfred (2005), acquisition and utilization of credit for agricultural purposes promote productivity, market access and subsequently improve food security status of a community.

The crucial role of credit in agricultural marketing and development can also be evaluated from the perspective of the quantity of problems emanating from the lack of it. In modern agribusiness in Nigeria, provision of agricultural credit is not enough but efficient use of such credit has become a major factor in order to increase export.

Nguyen (2009) identified insufficient assess to credit as one of the hindering factors to cash crop marketing. For this reason it is very imperative to assess the sources of credit for cash crop marketing. The demand for agricultural

credit is high in export markets mainly because of the poverty cycle, in which the credit is needed to help in breaking the vicious cycle. this research work carried out to assess the sources of Agricultural credit for cash crop marketing in Benue state, Nigeria. The problems encountered by the marketers in sourcing for credit and the factors determining the amount of loan collected by marketers are discussed.

1.2 Objectives of the Study

The main objective of this research work was to assess the sources of Agricultural credit for cash crop marketing in Benue state, Nigeria.

The specific objectives were to:

1. Identify the socio-economic characteristics of the respondents (cash crop marketers).
2. Identify the various sources of agricultural credit available to cash crop marketers in the study area.
3. To ascertain the problems encountered by the marketers in sourcing for credit.
4. Determine the level of access to agricultural credit by the marketers.

3.0 METHODOLOGY

3.1 The Study Area

Benue State is one of the 36 states of Nigeria located in the North-Central part of Nigeria. The State has 23 Local Government Areas, and its Headquarters is Makurdi. Located between Longitudes 60 35'E and 100E and between Latitudes 60 30'N and 80 10'N. The State has abundant land estimated to be 5.09 million hectares. This represents 5.4 percent of the national land mass. Arable land in the State is estimated to be 3.8 million hectares [BENKAD, 1998]. The State is predominantly rural with an estimated 75 percent of the population engaged in rain-fed subsistence agriculture. The state is made up of 413,159 farm families [BNARDA, 1998] and a population of 4,219,244 people [NPC, 2006]. These farm families are mainly rural.

Farming is the major occupation of Benue State indigenes. Popularly known as the "Food Basket" of the Nation, the State has a lot of land resources. For example, cereal crops like rice, sorghum and millet are produced in abundance. Roots and tubers produced include yams, cassava, cocoyam and sweet potato. Oil seed crops include pigeon pea, soybeans and groundnuts, while tree crops include citrus, mango, oil palm, guava, cashew, cocoa and *Avengia spp*.

3.2 Sampling Technique

The population for this study is the entire cash crop marketers in Benue State. Since it was impractical to study the entire population, a sample of the population was taken for the study.

The first stage selection involved the purposive selection of two local government areas in Benue state based on their participation in cash crop marketing. In the second stage, three local communities were randomly selected from each Local Government Area to give a total of 6 communities. Twenty food crop marketers were randomly selected from each community, thereby sampling 120 respondents.

3.3 Data Collection

Data for this study were obtained mainly from primary sources. Primary source of information were obtained using a structured questionnaire, copies of which were administered to the 120 marketers selected for the study.

3.4 Analytical Technique

Data for the study was analyzed using both descriptive and inferential statistics. Objective i, ii and iii were analyzed using descriptive statistics such as mean, percentages and frequency distribution. Objective iv was analyzed using a tobit regression model.

3.5 Model Specification

In order to determine the factors influencing access of peasant farmers to agricultural credit in the study area, the Binary Logistic Regression that was used is specified below:

$Y = \alpha + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \mu$

Where Y = level of access to agricultural credit = $\frac{\text{Number of sources accessed}}{\text{Number of available sources of credit}}$

α = Constant

β = Regression coefficient

X_1 = Age (in years)

X_2 = Level of education (in years). No formal = 0, Primary = 6; secondary =12; OND/College = 14; HND/ B.Sc =16; M.Sc =19

X_3 = Scale of business (small =1, medium = 2, large = 3)

X_4 = Household size (in number of persons)

X_5 = Marketing Experience (in years)

μ = Error term

4.0 Result and Discussion

Table 1 presents the socio-economic characteristics of the cash crop marketers in Benue state. It shows 78.33% of the respondents are ageing, this may likely reduce their access to credit because human strength may fail them to run empires of business as they grow older. Almost (81.67%) of the respondents are small scale marketers this is an indication that small scale businesses contribute much to the economy. It was further revealed that only 8.34% of the respondents did not go through formal education. This suggests that the marketers will likely benefit from the agricultural credit available at their disposal.

The household size of the respondents is relatively high with mean size of 8, it both has positive and negative implication on their sources of agricultural credit. Ninety percent (90.00%) of the respondents have been into marketing for over ten (10) years, with mean of twenty-eight (28) years. This shows that the marketers are highly experienced in marketing and they are more likely to access credit for their business. The major source of credit for the marketers is informal source (54.17%) which comprises of the money lenders, family and relatives. This may due to the fact that formal sources of credit cannot be easily accessed because of ambiguous rules and procedures (Olofinsao *et al*., 2018).

Table 1: The socio-economic characteristics of the cash crop marketers in Benue state

Variables	Frequency	Percentage	Mean	Minimum	Maximum
Age			55	28	72
< 31	10	8.33			
31 – 60	94	78.33			
> 60	16	13.34			
Scale of marketing					
Small	98	81.67			
Medium	20	16.66			
Large	2	1.67			
Level of Education					
No formal education	10	8.34			
Primary school	52	43.33			
Secondary school	33	27.50			
College of education/technology /Agriculture /hygience	19	15.83			
HND/B.Sc/B.Ag/B.Ed	6	5.00			
Postgraduate	0	0.00			
Household Size			8	1	19
1- 5	42	35.00			
6 – 10	55	45.83			
11 – 15	18	15.00			
16 – 20	5	4.17			
Marketing Experience			28	5	35
1 -10	12	10.00			
11 – 20	49	40.83			
21 – 30	52	43.33			
>30	7	5.84			
Sources of credit					
No credit source	34	28.33			
Informal (money lender, friends and relatives)	65	54.17			
Formal (cooperative, banks)	21	17.50			

Source: Field Survey, 2018

Table 2 shows the determinants of sources of agricultural credit accessed by the cash crop marketers. All the independent variables have positive explanation to the sources of credit except for age and household size of the marketers. This explains the more the number of years used for acquiring formal education, the more likelihood the sources increase by 1.118. The positive sign is coherent with the *aprior* expectation, also 90% were literate which tends to raise the level of credit accessed. Scale of business has positive response to the sources of credit accessed,

which is significant at 1%. This indicates that the more higher they increase their scale of operations, the more sources of credit they accessed. This is because they will require higher fund to start and continue in the greater scale of business. Marketing experience is significant at 10% level and is positive to the sources of credit accessed. The marketers are well experienced, as such they used to the principles and techniques of credit access, thus making it easier to access credit from different sources.

Age of the marketers explained the sources of credit accessed negatively by a co-efficient of 0.610. This indicates that a year increase in the age of the marketer will lead to 0.610 decrease in the sources of credit accessed. This is because as they grow older they lose interest in expanding their business, as they will love to mainly concentrate on their family. Also, they may not have enough strength to go through the processes of the credit assessment. Household size is negative and significant at 5% level. The larger the household, the less tendency the cash crop marketers have to access credit, because their primary purpose will be to provide for their households, their making expansion of business of secondary purpose.

Table 2: The determinants of sources of agricultural credit accessed by the cash crop marketers.

Variables	**Co-efficient (Standard Error)**	**p-valve**
Age	- 0.610 (0.347)	0.228
Level of Education	1.118 (0.358)	0.191
Scale of business	0.235 (0.199)*	0.008*
Household size	0.615 (0.214)**	0.042**
Marketing experience	7.874 (0.394)***	0.065***

R^2 = 0.81, F- Valve =0.000. *, ** and *** significant at 1% , 5% and 10% respectively.
Source: Field Survey, 2018

5.0 Conclusion

The role of credit for effective marketing of cash crops is imperative. The results showed that the marketers prefer informal sources of credit this is in accordance with Olofinsao *et al* 2018), who noted that the main source of credit is informal. The determinants of sources of agricultural credit accessed by the cash crop marketers are scale of business, household size and marketing experience. It is therefore recommended that government should enact policies aimed at encouraging cash crop marketers to access formal sources of credits.

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