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IMPACT OF AGRICULTURAL LOAN ON DRY SEASON FARMING IN MUBI METROPOLIS ADAMAWA STATE

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Abstract

Until recently, farming was predominantly a seasonal business in Nigeria where most cropping are observed during the raining season. Increase in demand for food couple with the recent government policy of diversification motivate people into dry season farming. Therefore, this paper investigates the impact of agricultural loan on dry season farming in Mubi metropolis. The methodology adopted was purely descriptive and data used were primarily sourced via questionnaire and interviews. Two sets of the dry season farmers were identified as: grain and vegetable farmers in the study area. A total of fifty (150) farmers were randomly selected within the metropolitan space of Mubi north and south local government areas. The Data collected was analyzed using descriptive statistics through frequency tables and percentages. It is evident from the analysis that 83% of the respondents were male and most of them were in their active ages: 18 to 59 years (93%). The study further revealed that 97% of the farmers' farm sizes were below 0.76ha and 57% of which are inherited by the farmers while only 10% of the farmers enjoy government loan as 90% finance their farming by personal savings and other sources. Moreover, 40% of the farmers get assistance from politicians in form of farming tools. It is therefore concluded that most dry season farmers in Mubi metropolis do not enjoy agricultural loan from government even though the few that benefited from it testified for remarkable yield increase. The study recommends that government should come to the aid of dry season farmers by providing drainage generators, canals (tube), fertilizers, chemicals, loan and other assistance for more yield from the dry season farming in Mubi metropolis.

Keywords: Agricultural Lending; Output; Productivity.

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1. Introduction

Agricultural lending in Nigeria can be trace back to a decade before and after independence when banks played major role particularly in the events of marketing boards. The government through banks make credits available by providing short and medium term credits to the farmers, in order

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to enable them embark on their agricultural projects. Moreover, in terms of the share of labour employment, agriculture remain the mainstreams of the Nigerian economy (Philip, et.al, 2009).

On the role which agricultural credits played in food production in advanced countries, especially United States of America, Aaron et.al (1973) observed that in the United States of America borrowing was used more extensively to gain control of additional resources. Money lenders played important roles in enabling the farming sector utilize more borrowed capital. Bauman (1966) in his contribution noted that the agricultural credits to primary producers (food production being one of them) was not the function of deposit money bank in Nigeria. According to him, at various times and in various ways, attempts were made to provide some credit to agriculture and the results were usually negative. Currently, very little deposit money in banks. Credit is available for primary production except for large estates. He said that Barclays Bank (now Union Bank) which was the major source of credit then was actively exploring new ways to broaden their agricultural activities.

Today, the involvement of banks in agricultural financing takes various forms. In addition to funding licensed buying agents, the banks fund project by corporate bodies, cooperate societies and individuals as well as groups of farmers. He banks lend to states and agricultural co-operatives who further lend to farmers. There is no doubt that the major force behind their involvement in food production in an appreciable level is the "big stroke" of the Central Bank credit guideline.

In evaluating the roles bank play in financing agriculture for food production, the increased attention which the government and Central Bank have been giving to the sector since 1977 should be recognized. Agriculture has been placed in the preferred sector of Central Banks credit guidelines. Furthermore, agricultural production has come into greater favour from a lowly proportion of 4% in 1974 to 10% in 1984 and 18% in 1994. With these, it is agreeable that agriculture has assumed its rightful place in the eyes of the authorities. In order to ensure banks compliance with those provisions, stiff penalties were prescribed in the credit guidelines. In particular, where a bank's total monthly loan and advances to agriculture fall short of the guideline stipulation of minimum ratio, such bank is required to deposit the amount of the shortfall with the Central Bank of Nigeria (CBN, 2005). Though majority of the banks were unable to attain the targets in the early years of the guideline, there have been substantial achievements in the later years.

The Central Bank's first involvement in agricultural financing facilities was extended to the consortium of deposit money banks for the purpose of discounting the ninety days bill of exchange drawn by the Nigerian Produce Marketing Limited (Asabia, 1990). The Central Bank Credit guidelines on sectional allocation stipulates what percentage of loans and advances that should be given to the agricultural sector by banks. In 1972, when the scheme was introduced, forty percent (40%) of total loans were allocated to agriculture. Banks became more directly involved in agricultural lending in 1970 and this lending has been a major contributory factor to the increase in agricultural production. According to Obansa and Maduekwe (2013), agricultural loans have the potential to stimulate food security.

The poor participation of deposit money banks in agricultural financing induced the central bank to introduce the sectional allocation system which many banks hardly complied with as expected

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by the central bank. This mandatory bank credit allocation was abolished in October 1996 following the liberalization of the financial sector. Banks were rather enjoined to voluntarily provide adequate credit to all sectors of the economy to ensure growth and that rural borrowers were not left out (CBN, 2003). According to Eko (2014), this directive has prompted some banks to maintain certain level of association with farmers. Agriculture which consists, among others the growing of crops and rearing of animals can easily be said to be man's oldest and most important occupation, from the beginning of creation man needed food for his sustenance. This need has never been adequately met and when it is met, it has always been for a while, thus man has been faced with periods of famine which has been of great concern for man in all generations since this distorts all other aspects of life. In order to deal with the problems of food supply, individuals, organizations, communities and governments should invest huge amounts of economic resources to the agricultural sector. In Nigeria, the agricultural sector is adjudge not to have performed well as the country is still importing most of its consumables. The nation has been experiencing persistent and inadequate supply of food items and other agricultural products, hence the reliance on importation.

In the opinion of Banjo (2001), the poor performance of agricultural sector in Nigeria's economy with its resultant food shortage and high food prices over the years has been aptly attributed to inadequate capital to finance agricultural investments. The agricultural sector of the Nigerian economy has continued to attract relatively less than proportionate amount of funds from the government. Major operators in the economy prefers to allocate their funds to other competitive sectors of the economy vis-à-vis commerce and industries where the prospect for quick and fast gain exist. In identifying the factors that make agricultural products less competitive and attractive than project implemented in the commercial and industrial sectors. Ajakaiya (1993) included factors such as high risks occasioned by the vagaries of the weather, low rate of returns and long gestation associated with agricultural products importation.

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The inputs of agricultural funding have gone a long way, especially when the Federal Government set up the Nigerian Agricultural and Cooperative Bank now Nigeria Agricultural Cooperative and Rural Development Bank. Credit is a vehicle for agricultural development and it is necessary if agriculture is to derive the benefits of improved technology which ensures improved food production.

The need for financial aid to agriculture in form of credit delivery stemmed from the following factors;

1) The seasonality of farming which results in farmers' income being unstable and seasonal.
2) The need to meet with labour expenses.
3) The provision of adequate storage arrangement which would enable the farmers hold stock till favorable prices prevail in the market.
4) The need to service capital equipment and purchase inputs.
5) The need to meet with their financial commitments outside the farm.

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The various uses into which agricultural financing is put shows the need for agricultural credit institutions to overcome whatever problems they have so as to mobilize all financial resources for agricultural development in particular and economic development in general. Olayide and Ogwuma (1985) believe that the use of farm credit as a necessary input for the structural transformation and expansion of rural agricultural production could not be over emphasized. They also agreed that the bulk of farm credit in Nigeria came from private source which were largely inefficient, proper supervision and timeliness of operations.

In order to achieve the objectives of this research work, the following questions were raised.

1) To what extent has agricultural lending impacted on the dry season farming in Mubi.
2) To what extent has challenges/problems affected the dry season farming in Mubi.
3) To what extent has agricultural loans impacted on the level of food productivity in Mubi.
4) To what extent has the lending impacted on the lives of the dry season farmers in Mubi.

Based on the questions raised, the following hypothesis were formulated.

H_O 1: Agricultural lending does not have significant impact on food production in Mubi.
H_O 2: Lending on crop production has no impact on agricultural output in Mubi.
H_O 3: Agricultural lending does not have significant impact on the lives of dry season farmers.

Review of Existing Literature

After the harvest for raining season, production of grains and groceries in northern Nigeria dominate farming activities throughout dry season period. Ibrahim (2005) argue that dry season farming is one of the major source of agricultural labor force engagement in Nigeria. This farming practice requires financial intervention by the government to boost agricultural output and at the same time curb youth unemployment and under-employment in the country. According Okerenta (2005) and Tasie (2008) opined that decrease in agricultural output is not unconnected with insufficient credit support to the rural farmers.

Nweze (1990) opined that there were successive attempts by the Nigerian government to bridge the credit gap by instituting various credit programs for agricultural sector. The institutions among others include the then Community Bank (now micro-finance Bank) and Nigerian Cooperative & Rural Development Bank (NACRDB) were all established to cater for rural and seasonal farmers. Regrettably, most of the impacts of the financing programs were grossly insignificant due to so many reasons. It was further argue that insufficient loans and its re-payment couple with the inability of suitable formal credit institutions to meet the yearning needs of rural farmers explains why the impacts were insignificant (Okorie, 1986; Ijere, 1986).

The inherent problems of financing agriculture by banks have been in existence for decades. In Nigeria, the introduction of the Structural Adjustment Programme (SAP), the deregulation of interest rate and market liberalization scared banks away from financing agriculture (Odu, 2007). The constraints in financing agriculture by banks could be both internally and externally. The internal constraints arose as a result of the banks nature of operations, the need for security and shortage of qualified personnel. Deposit money banks are profit oriented and therefore prefer to lend for short period of time because of the term nature of their deposits.

The external constraints according to Chidebelu (2004) were made up of certain government policies, deficient infrastructures and farmers themselves. These government policies included the abrogation of concessionary interest rate policy. Closure of unprofitable rural branches of these banks, withdrawal of government and parastatal accounts from deposit money banks and the closure of some distressed banks. These events affected acceptable to offers as participating effectively in Agricultural lending. On the part of the farmers, they had nothing acceptable to offer as security. The land or building in which they operate probably belongs to the community or rented from landlords. A greater percentage of them were illiterate's and ignorant of the schemes and effort towards agricultural development.

Prospects of Agricultural Financing

The key objective of agricultural financing is to provide the farmers with funds and financial services with which to multiply their earnings and build a more prosperous future. This view is supported by ADP (2005), Tasie (2008), Mejeha & Nnanna (2010). To achieve this, efforts must be made to overcome the several constraints militating against the farmer's ability to enjoy financial assistance.

In light of the above therefore, credit institution should be involved in the following;

1) Mapping out special flexible lending policies that should benefit both the lender and the borrower.
2) A proper appraisal of the credit needs of the farmers so as to ensure repayment and
3) Providing the farmers with timely credit and output.

These can be achieved through manpower development, employing lending procedures and decentralizing their operations authorities. There should be direct contact between credit institutions and other government agencies supplying other inputs and the farmers themselves with the objective of improving mutual understanding among them.

Banks like any other business organizations are established to run as profit entities, as such, it is proper that banks will like to invest their capital in areas where the opportunities for profiting are highest. In Nigeria, it seems that agriculture is not a high yielding business when compared with trade, commerce and industry, hence it does not easily attract funds from the financial market. For these reasons, the following measures should be put in place to make agriculture feasible for bank lending;

1) Agriculture must be made to become a profitable sector of the economy on business terms. To achieve this, government should guarantee price of farm produce by buying surplus output in time of good harvest. Farmers should be assisted by providing preservatives and storage facilities, irrigation dams, improved seedlings, pest control facilities and international market for their cash crops, exactly what President Olusegun Obasanjo's regime did with cassava production.
2) There should be consistency in government policies. Government should monitor the implementation of their policies by banks to ensure compliance.
3) Cost of obtaining these loans should be made very minimal since agriculture is not a money spinner but still very important to all sectors of the economy and as such cannot be neglected.
4) To ensure that farmers do not default on these loans, there should be an effective monitoring of the loan immediately after disbursement.

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2. Methodology

The study was conducted in southern part of Adamawa State Nigeria, Mubi north and south metropolitan area in particular. They share boarder with Michika local government to the north, Cameroun republic to the west and Hong local government to the east.

Climate/ Soil and Vegetation

The study area is typically tropical marked by two major seasons with 5-6 months (April- October) raining and 5-6 month dry season (November- March). This semi- annual dry season necessitates dry season farming to meet the daily demand for groceries for our socioeconomic and health benefit. On one side, Mubi soil texture is characterized mainly by an alluvial (Vertis soil) which is a heavily cracking soil because of the high clay expanding minerals such as ammonites. To the other side, the soil is loamy.

Sampling Technique

Multi stage random sampling technique was used to select the farmers from the two local government areas. Firstly, the study area was stratified into 5 cells. In the second stage, 2 cells out of the 5 cells were randomly selected. In third stage, 5 wards: Shuware garden city, Wuro gude, Maidala, Digil and Kasuwan gada were selected randomly from the 2 cells. The last stage involved random selection of 30 farmers from each ward totaling 150 farmers in the entire study area.

Technique of Analysis

Since the study is purely descriptive, frequency and simple percentages were used as the analytical tools for the study.

3. Results and Discussions

Starting with the socioeconomic characteristics of the farmers, it is evident from table 1 below that the mode of farming is male dominated with 125 male frequency in their active productive ages. 83% of the farmers are in Islamic and primary education level with no one found to be in the tertiary education circle. This implies that semiliterate dominate the business. 97% of the farmers farm sizes were below 0.76ha and 57% of which are inherited by the farmers. That shows that most farm land were fragmented through inheritance processes. Over 90% of the seeds the farmers use were local verities and 100% of their source of water is from river.

It is worth mentioning that only 15 out of the 150 farmers ever benefited from government loan. That is 90% of them have never smell government loan for dry season farming. Furthermore, in conformity with the finding of Musa, Hamisu & Yakuba (2010), 100% of the farmers agreed that government loans increase their output. Thus, for government to protect consumers from higher prices of groceries, it must provide loans to the farmers to boost their yield.

Taking a look on table 2, the major constrains identified were lack of enough farming land, lack credit, improve seeds and modern farming and irrigating tools. Therefore, it is recommended that government should step up its policies to cover this category of farmers in it credit provision for the economic diversification plans.

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Table 1: Socioeconomic characteristics of the respondents

Physiognomies	Frequency	Percentage
Age group		
Less than 18 years	24	16
18 – 40 years	76	51
41- 59 years	39	26
60 and above	11	7
Total	150	100
Gender		
Male	125	83
Female	25	17
Total	150	100
Education		
Islamic education	78	52
Primary Education	47	31
Secondary education	25	17
Tertiary education	0	00
Total	150	100
Farm size (ha)		
0.01 – 0.25	45	30
0.26 – 0.50	85	57
0.51 – 0.75	15	10
0.76 and above	05	03
Total	150	100
Mode of farm acquisition		
Inherited	85	57
Rented	47	31
Purchase	18	12
Total	150	100
Water sources		
River	150	100
Borehole	000	000
well	000	000
Total	150	100
Seeds verities		
Local Variety	140	93
Improved Seeds	10	07
Others	00	00
Total	150	100
Government loan		
Yes	15	10
No	135	90
Total	150	100
Govt. loans increase yield		
Yes	150	100

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No	000	000
total	150	100
Sources of farming tools		
Government	5	03
Politicians	60	40
Inherited	70	47
Rented	10	07
Purchase	05	03
Total	150	100
Source: Field Survey, 2018		

Table 2: Major problems

Problem	Frequency	Percentage
Land is inadequate		
Yes	150	100
No	000	000
Total	150	100
No enough government loans		
Yes	150	100
No	000	000
Total	150	100
No improve inputs		
Yes	150	100
No	000	000
Total	150	100
Pest and diseases disturbs		
Yes	150	100
No	000	000
Total	150	100

Source: Field Survey, 2018

In summary therefore, one can say that despite problems involved in agricultural financing by banks (Deposit money), there are still some options available to facilitate agricultural financing. Among these options are making the agricultural sector profitable, consistency in formulation and implementation of government policies, lowering the cost of capital, formation of agricultural cooperatives societies and reduction of loan defaults.

Policy implications

Based on the study findings, the following were recommended for policy purposes:

1) More loan facilities should be extended to the agricultural sector to sustain the increase in food production given the demographic state of Nigeria.
2) Machinery should be put in place to ensure that the amount of loans disbursed eventually gets to targeted farmers and the said loan, fully utilized for the purpose they were meant for.

3) To alleviate the problems encountered by farmers, good access roads should be built to facilitate movement of food and cash crops from one location to another and also facilitate harvests. This will have a resultant effect of making agriculture profitable.
4) Land acquisition process should be simplified so as to enable more and more people access farmland without going through legal hassles.
5) Funds should be made available to serious minded farmers at affordable interest rates.
6) Cash and food crops to be cultivated must be fully identified according to geographical locations where they thrive most. A private consultancy firm should be commissioned by the government to do this.
7) The construction of storage facilities is very vital to the attainment of food sufficiency.
8) More incentives must be put in place to make agriculture more attractive to a large proportion of the nation's working population than the usual white collar jobs.

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