

# Analysis of the Accessibility of Formal Credits to Rural women Farmers in Delta State, Nigeria

Peter Ifeanyichukwu Nwandu

Department of Agricultural Economics and Extension  
National Open University of Nigeria  
E-mail: pnwandu@noun.edu.ng

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## Abstract

*The study examined the accessibility of formal credits to rural women farmers in Delta State, Nigeria. The need for the study arose from the fact that adequate funding of rural women agricultural activities will ensure greater efficiency and increase in production. The sources of formal credit, accessibility to credit and the hindrances to formal credit flow to the rural women farmers were studied. Stratified random sampling techniques were used to select 150 rural women farmer respondents used for the study. Data was collected with the use of structured questionnaire and analyzed with descriptive statistics such as frequency distributions percentages and means. Findings revealed that rural women in agriculture had more access to informal sources of credit. Lack of security, illiteracy, complex documentation and delay in releasing loans among others were indicated as hindrances to access to credit. Recommendations made include enlightenment campaigns, inculcation of banking habits, establishment of more microfinance banks and links between microfinance banks, thrift societies and women associations.*

**Keywords:** Accessibility, Formal Credit, Rural Women, Farmers

## INTRODUCTION

Agriculture is the mainstay of the Nigerian economy. The sector contributes immensely to the economic development of the country through, provision of food for the ever-growing population, creation of job opportunities for millions of Nigerians, provision of raw materials for industries and contribution to the Gross Domestic Product (GDP). Despite its performance, Nigeria's agricultural situation has been characterised by decline in food production, rising food prices and the increasing food import bills during the past decade (Vaughan *et al.* 2014). Madaki *et al.* (2014) stated that 71.4% of persons engaged in agriculture were found in rural areas. Realising these facts government has been shifting emphasis to the development of the rural areas. Kanu *et al.* (2018) observed that the emphasis on grassroots' development was a matter of necessity at the present stage of the nation's development as it is well known that at least 75 percent of this country's resources endowment abounds in rural areas. Thus, development projects cannot achieve any improvement *or impact* until they focus on rural areas. Otherwise, the masses who are rural-based but poverty-ridden will continue to weigh down any development aspirations of government.

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\*Author for Correspondence

Experience in rural development has shown that efforts at expanding the economic base of the rural area always flounder because of scarcity and restrictive access to loanable funds (Famogbiele, 2013). Ekwere *et al.* (2020) observed that the need for providing agricultural credit to farmers was universal even in highly developed countries of the world as agricultural credit has been an important instrument not only for fostering agricultural development but also for improving efficiency and expanding production. Credit makes it possible for farmers to take advantage of new machines, good seeds, fertilizers, livestock and labour, all of which enable farmers to organize and operate a larger and more profitable business. Agricultural production generally is capital intensive and in developing countries such as Nigeria, farmers need to inject capital into agriculture in order to increase production. Apart from land acquisition and renting, there is need to fund land clearing, land preparation, payment for labour use and farm infrastructure. Thus, accessibility of credit to rural farmers must form part of a comprehensive policy directed towards the improvement of agriculture in its ramification.

Accessibility of credit for use by rural women farmers is vital to agricultural production in Nigeria where women constitute more than 60 percent of the labour forces (Oseni and Goldstein, 2013). Evidence also abounds to show that women in Nigeria put in more hours than men in agricultural production (Adenuga and Raji-Mustapha 2013). Women are engaged in planting, weeding, harvesting, marketing and processing. They also provide the entire family nutrition from the proceeds of their farm or trade (Nwandu, 2019). In an attempt to channel credit to the rural dwellers including rural women farmers and small-scale enterprises, the Federal Government adopted a variety of strategies like the establishment Funds for Small Scale Industry (FUSSI), Small and Medium Scale Enterprises Fund (SME) and Agricultural Credit Guarantee Scheme Fund (ACGSF). Financial Institutions established for the same purpose were Nigerian Agricultural and Cooperative Bank (NACB) now Bank of Agriculture (BOA), People's Bank, Community Banks, Microfinance Banks (MFBs), Commercial Agricultural Credit Scheme Lending (CACSL) and Nigeria Incentive Based Risk Management System of Agricultural Lending (NISRAL). How have these programmes and financial institutions been accessible to the rural women farmers? What problems hinder accessibility of credit from these formal institutions to the rural women farmers? This study seeks answers to these questions. Suggestions would also be made on how formal credit access to the rural women would be improved.

The aim of this study was to investigate the accessibility of formal credit to rural women farmers in Delta State. The objectives were to:

- i. identify sources of credit to rural women farmers;
- ii. ascertain the access to formal credit to rural women farmers and
- iii. examine factors that hinder access of formal credit to rural women farmers.

## **METHODOLOGY**

The study was conducted in Delta North Agricultural Zone of Delta State between January 2020 and September, 2020. The Agricultural Zone is made up of 9 Local Government Areas (LGA's) out of which 5 were selected through stratified random sampling procedures. 3 villages were randomly selected from each of the LGAs making a total of 15 villages used for the study. The LGAs and the villages were Oshimili South - Oko-Anala, Okwe, and Ogbele; Aniocha North - Idumuje Uno, Ugbodu and OnichaOlona; Ndokwa West - Ewulu, Ishiagu and Ossissa. Ndokwa East - Utchi, Abala, and Asaba-Ase. Ika - North East - Owa- Alero, Otolokpo and Ute.

Altogether 10 rural women farmers were selected from each village through random sampling giving a total of 150 rural women farmer respondents used as sample for the study. Data was obtained through the use of interview schedules and with the help of structured questionnaire. The questionnaire was administered on the rural women farmer respondents with the use of village assistants. The questionnaire had 100 percent return rate.

**Data analysis**

The data collected were analysed by the use of descriptive statistics such as frequency distributions, percentages and means. The mean was used to analyse the accessibility of credit from formal institutions to rural farmers (Eboh, 2010).

**Use of mean**

The mean was computed on a 5-point Likert scale:

|                      |    |   |
|----------------------|----|---|
| Very Accessible (VA) | 5  |   |
| Accessible (A)       |    | 4 |
| Undecided (UD)       | 3  |   |
| Not Accessible (NA)  | 2  |   |
| Not Very Accessible  | 1  |   |
| Total                | 15 |   |

The mean was determined by finding the mean of the nominal values assigned to the option using the formula.

$$\bar{X} = \frac{\sum fx}{N}$$

Where:  $\bar{X}$  = mean

$\sum$  = sum of

fx = frequency of nominal value of option

N = Number of items

$$mean(x) = \frac{5 + 4 + 3 + 2 + 1 = 15}{5} = 3.0$$

The mean of 3.0 was set as cut – off point. Any mean response of 3.0, or above was accepted while any mean response below 3.0 was rejected (Eboh, 2010).

**RESULTS AND DISCUSSION**

**Sources of Credit to Rural Women Farmers**

The rural women in agriculture were asked to indicate the sources through which they obtain credit. The result is as presented in Table 1.

**Table 1: Sources of Credit to Rural Women Farmers**

| Sources                                   | Frequency | Percentage* |
|---|-----------|-------------|
| <b>Formal:</b>                            |           |             |
| Commercial banks                          | 25        | 16.67       |
| Microfinance banks                        | 84        | 56.00       |
| Bank of Agriculture                       | 8         | 5.33        |
| Cooperatives Societies                    | 42        | 28.00       |
| Agricultural Development Programme        | Nil       | -           |
| National Directorate of Employment. (NDE) | 5         | 3.33        |
| Agricultural Credit Guarantee Scheme Fund | 2         | 1.30        |

**Informal**

|                           |     |       |
|---------------------------|-----|-------|
| Microfinance institutions | 125 | 83.33 |
| Thrift ( <i>Isusu</i> )   | 105 | 70.00 |
| Money lenders             | 95  | 63.00 |
| Friends                   | 48  | 32.00 |
| Family                    | 78  | 52.00 |
| Age grades                | 42  | 28.00 |
| Associations (Meetings)   | 101 | 67.33 |

Source: Field Survey, 2020

\*More than 100 because of multiple responses

Table 1 showed that rural women farmers obtained most of their credits from informal sources while credits from formal sources were negligible. The exceptions were credits from Microfinance banks (42.67%) and Cooperative Societies (23.33%). Other sources of credit identified were mainly from the informal sources. The Federal Government initiated the Rural Banking Scheme to facilitate the flow of funds to the rural sector. Probably the effort seems to be yielding some benefits as portrayed by the rating of microfinance banks which was a unit bank owned mainly by the community associations that also included the rural women farmers. The microfinance banks also look more adaptable to them since the organisation was like the usual thrift and associations that rural women organize to help themselves. Nweze, Igbokwe and Nwandu (2002) observed that these women associations occupy prominent positions among rural households and were in most cases regarded as alternatives to institutionalised credit sources

**Table 2: Access to credit from the formal sources to rural women farmers**

| Sources   | VA  | A   | UD | NA | NVA | $\sum FX$ | N   | $\bar{X}$ | Remarks |
|---|-----|-----|----|----|-----|-----------|-----|-----------|---------|
| Commercial banks                                  | 0   | 20  | 30 | 20 | 125 | 195       | 150 | 1.30      | Reject  |
| Microfinance banks                                | 150 | 136 | 60 | 72 | 50  | 466       | 150 | 3.11      | Accept  |
| Bank of Agriculture                               | 0   | 0   | 60 | 60 | 21  | 464       | 150 | 3.09      | Accept  |
| Cooperative Societies                             | 175 | 142 | 60 | 10 | 98  | 328       | 150 | 2.19      | Reject  |
| Agricultural Credit Guarantee Scheme Fund (ACGSF) | 0   | 0   | 0  | 15 | 142 | 157       | 150 | 1.05      | Reject  |
| National Directorate of Employment (NDE)          | 50  | 80  | 36 | 20 | 108 | 274       | 150 | 1.83      | Reject  |

Source: Field Survey, 2020

Table 2 showed that only Microfinance banks with a mean rating of 3.11 and cooperative societies with a mean rating of 3.09 were accepted by respondents as formal financial institutions that allow rural women farmers access to credit. All the other formal financial institutions used for the study were rejected by the respondents as not allowing them access to credit. These observations were also made in a similar study by Adamu (2018) that above half (57.5%) of the rural women farmers were not aware of formal credit sources as such 32.4% of the rural women applied for loan in formal institutions.

**Table 3: Factors hindering accessibility of formal credit to rural women farmers**

| Factors                             | Frequency | Percentage |
|-------------------------------------|-----------|------------|
| Lack of Security                    | 76        | 50.67      |
| High interest charges               | 95        | 63.33      |
| Distance from formal credit Inst.   | 123       | 82.00      |
| Inability to repay debt             | 72        | 48.00      |
| Not having account with the bank    | 118       | 78.67      |
| Completing necessary forms          | 120       | 80.00      |
| Getting eligible guarantors         | 95        | 63.33      |
| Visits to formal credit Institution | 107       | 71.33      |
| Delay in releasing the loan         | 125       | 83.33      |
| Level of education                  | 87        | 58.00      |
| Cost of transportation              | 88        | 58.67      |
| Loan durations                      | 79        | 52.67      |
| Grace periods (Moratorium)          | 81        | 54.00      |

*Source: Field Survey, 2020*

- *More than 100 because of multiple responses*

Table 3 showed that all the factors identified for the study, were rated as hindrances to formal credit accessibility to rural women in agriculture. The interest charges on formal credit were high, but sometimes lower than the informal credit sector. For instance, the informal credit sources like money lending attract high interest chargeable (60-100%) as observed by Ibrahim and Aliero (2012). Despite the exorbitant rate of interest, rural women farmers still prefer borrowing from them because they require little or no collateral. For the rural women farmers ability to secure their loans easily without undergoing long processes when they needed them was an important relationship. This view was supported by Adamu (2018) that informal institutions were very accessible to rural women farmers and remained the major source of credit. The distance between formal credit institutions and rural women were usually much that most often the transport cost is put into consideration. Delay in releasing loan was rated by the rural women as major factor. There was too much gap between loan application and final disbursement. Consequently, most often production credits were converted to consumption credits. Completing the necessary documents before formal loans were granted was a major problem as majority of the rural women were not educated. They prefer simple system operated by the informal system. Perhaps this is one of the reasons the Microfinance Banking System simplified their loaning processes as observed by Nwude and Anyalechi ((2018).

## **CONCLUSION**

Sustaining agricultural development is a prerequisite for improving living standards in Nigeria. Channeling of formal credit to rural sector among other measures will help achieve this goal.

The study investigated the accessibility of formal credit to rural women farmers in Delta State, Nigeria. Specifically the study identified the sources of credit to rural women farmers; ascertained the access to formal credit to rural women farmers and examined factors that hinder access of formal credit to rural women farmers. Rural women farmers constituting the largest farming population and need to be allowed access to credit for greater efficiency and increase in production. Government financial agencies, non-governmental organizations (NGOs) and financial institutions operating in rural areas should carry out enlightenment campaigns to educate rural women farmers on the existence and how to access credit from formal financial institutions. Furthermore, inculcation of good banking habits by these financial agencies are

some ways the rural women will be aware of the use of formal credit. The introduction of Microfinance banks into the rural banking system was a laudable objective that must be pursued. Microfinance banks reduce the distance; transport costs and makes banking nearer to the rural dwellers. Link should be established between the Microfinance banks, the thrift societies (*Isusu*) and the women organisations. This will help in mobilisation of savings, disbursing and recovery of loans.

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