TIMELINESS IN AGRICULTURAL CREDIT DELIVERY: A PRECISION TOOL FOR IMPROVED FARM OUTPUT AND INCOME FOR COCOA FARMERS IN NIGERIA

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INTRODUCTION

The agricultural sector in Nigeria is still dominated by 90% peasant farmers' characterized by low level of income and saving capacity. It has been identified that limited access to timely credit has been a major constraint militating against robust investments and increased agricultural productivity by farmers (Ajakaiye, 1991; Ogunma, 1998; Manyong et al, 2004). One way to improve farmers' capital investment is by providing them with timely and targeted accessible credit to enhance their production outputs and income because of the clear knowledge of the time specific nature of some farm operations. Lawal and Omonona (2009) found that educational status, years of experience, presence of savings, heterogeneity, cash contribution, and decision making in association by cocoa farming households improve their access to credit. Ejiogu and Oubuogu (2003) classified sources of credit into formal and informal. In Nigeria, formal lending institutions include commercial, rural development and microfinance banks which are regulated by government and it is worthy to note that it is only from this source that farmers can get high amount of capital as credit facility unlike the informal, the informal sources are the community and social associations, savings and cooperative society, friends and relatives, farmers' associations and the moneylenders which do not operate within the control of the government. This study however, determined how timely and adequate the agricultural credit facility in Nigeria is to cocoa farming households? This study determined the disbursement lag of credit facility to cocoa farmers in Osun State, Nigeria.

METHODOLOGY

The study was carried out in Osun State, Nigeria. Primary data collected from respondents with well structured questionnaire administered using the Multi-stage sampling technique. The first stage was a random selection of three Local Government Areas (LGAs) each from the cocoa producing zones of the state proportionate to the number of LGA in the zones; the second stage was the selection of five villages from each of the LGAs using the Osun State Agricultural Development Programme (ADP) list of villages while the third stage involved the random selection of ten cocoa farming households from each of the villages proportionate to the household size of each village, thus making a total of one hundred and fifty respondents. Data retrieved was analyzed with descriptive statistics, correlation and multivariate regression models $Y= f(X_1, X_2, X_3, X_4, X_5, X_6) + e$; where Y is farm output, X_1 is educational status of farmer (years), X_2 is farming experience (years), X_3 farm size (hectares), X_4 disbursement lag of credit (months), X_5 is access to credit (%), X_6 interest rate charged(%),

RESULTS AND DISCUSSION

The descriptive statistics show the mean age and household size to be 56 years and 9 respectively, while the average age and size of the farms to be 26years and 3.57hectares and the farmers' mean years of cocoa farming experience to be 28years. The result further showed 84% as members of association(s), while 89% also have a form saving; with only 19% having acceptable collaterals for accessing credit facilities. Analysis of loan accessed showed mean amount of loan requested to be N98, 239 while the actual access was N70, 692. Tables 1 and 2 show the breakdown:

Table 1: Level of credit accessed by cocoa farming households (mean= N70, 692)

Credit accessed	*Frequency*	*Percentage*
None	54	36.00
Low (below mean)	67	44.67
High (above mean)	29	19.33
Total	***150***	***100.00***

Source: Field Survey

Table2: Level of requests for credit facility by cocoa farming households (mean= N98, 239)

Credit requested	*Frequency*	*Percentage*
None	38	25.33
Low (below mean)	65	43.33
High (above mean)	47	31.33
Total	***150***	***100.00***

Source: Field Survey

Results from farmers sampled showed 18 and 82% of respondents (27 and 123) sourced their credit from formal and informal sources respectively, with 72% of those sourcing credit formally having to wait 6-10months while 34% sourcing from informal waited 6-12months before disbursement of credit facilities. This shows that timeliness of credit disbursement is not in favor of the farming households.

Among the identified constraints to credit access for cocoa farming households are: Lack of guarantors; Fear of high interest rate; Lack acceptable “physical” collaterals; Long time lag between application and disbursement of credit facility; Inadequacy of credit (not obtaining as much as demanded); None approval of loan; None availability of credit facility (money); Bureaucratic bottlenecks and processing; both problems of time lag and Inadequacy of credit; both problems of high interest rate and time lag of disbursement. The Long time lag between application and disbursement of credit facility ranked highest with 25% closely followed by 15% for lack of physical acceptable collaterals and thirdly by 10 % for bureaucratic bottlenecks involved in loan processing for those sourcing formally.

The correlation results show an inverse correlation coefficient between time–lag of disbursement and farm output and income as 0.72 and 0.77 which implies that as the time-lag of credit disbursement increases; the cocoa farmers’ output decreases and proportionately lower income results. This implies that the time difference between application for loan and disbursement needs to be reduced for farmer’s output and income to increase appropriately.

Table3: Regression Results of Determinants of Cocoa Farm output in Osun State, Nigeria

Variables	**Coefficients**	**T-values**
Intercept	**7.745**	**7.365*** **
Educational status	-0.041	-0.189***
Farm experience	0.227	1.046*
Access to credit	0.922	2.184***
Farm size	0.162	0.655**
Disbursement lag	-0.270	-0.916**
Interest Rate charged	-0.187	-1.265
R^2	0.586	
F-Ratio	1.067	

Source: Field Survey; Significant at*** (1%), ** (5%) and *(10%)

The regression results also revealed disbursement lag of credit and farm size (p<0.05) while educational status of farmer and access to credit (p<0.01) are significant to farm output with farming experience significant (p<0.1). This result shows that a month increase in the period of credit disbursement to farmers will lead to a decrease in their farm output by 0.270, so also a year increase in the year of experience will lead to an increase in farm output for cocoa farmers by 0.227, while percentage increase in access to credit will result in 0.922 increase in output for the farmers likewise a an hectare increase in the farm size of farmer that will result in 0.162 increase in the cocoa farmer’s output.

CONCLUSION

This study concludes that timeliness (short-disbursement lag) and access to credit are determinants of cocoa farmers' output in the state for appropriate farm time-specific operations as at when due and also to prevents diversion of the credit for other purposes. This result suffices for all cocoa producing states in the country because Osun State is a high cocoa producing state in Nigeria based on National Cocoa Development Committee (NCDC) classification.

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