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Credit Delivery for Agricultural Enterprises in Nigeria Focusing on Ezeagu South Development Area of Enugu State, Nigeria

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Abstract: The general aim of this research work is to appraise credit delivery for agricultural enterprises in Nigeria focusing on Ezeagu South Development Area of Enugu State, Nigeria. The objectives of this research work include the following: To determine the effectiveness of cooperative societies in credit delivery for agricultural enterprises in Ezeagu South Local Government Area and to investigate the effect of training on cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area. To identify the challenges militating against the role of cooperatives in provision of credit facilities. The study used both primary and secondary sources of data for this study. The data collected were presented in tables and analyzed with percentage while the hypotheses stated were tested with chi square. The study found out that cooperative societies are very effective in credit delivery for agricultural enterprises in Ezeagu South Development Area and training positively affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area. The study therefore recommends that government should encourage farmers' participation in cooperative by using it as a medium to reach the farmers in giving out incentives to farmers rather than targeting individuals who would divert such incentives to unintended purposes and extension agents should utilize cooperative forum to reach the farmers on information to increased productivity.

Key words: Credit delivery · Agricultural enterprises and Ezeagu South Local Government Area

INTRODUCTION

In most developing countries (Nigeria inclusive), agriculture dominates the nation's economy. It has been established that about 70 percent of Nigeria population is engaged in agriculture while 90 percent of Nigeria total food production comes from small farms and 60 percent of the country population earn their living from these small farms [1]. However, inadequate finance has remained the most limiting problem of agricultural production and credit has long been identified as a major input in the development of the agricultural sector [2]. In addition, one problem confronting small scale enterprise including that in agriculture is inadequate capital. Credit is considered as a catalyst that activates other factors of production and makes under-used capacities functional for increased production [3].

Ijaiya and Bello [4], define credit as financial resources obtained at certain period of time with an obligation to repay at a subsequent period in accordance with the terms and condition of the credit obtained. Credit could come from banks, government, cooperatives, or individuals. Agriculture credits on the other hand, are loans extended to farmers for production, storage, processing and marketing of farm products. Such credit can be short, medium or long term depending on its duration. Agricultural credit could have effect on agricultural output because it could have a secondary spillover effect on non-farm household via input labour and output linkages [5]. When farmers face a credit constraint, additional credit supply can raise input use, investment and hence output, these they refer to as liquidity, better agricultural credit facilities can help farmers smooth out consumption and therefore, increase the willingness of risk adverse farmers to take risks as consumption smoothing effect. Hence, a better agriculture credit may lead to a higher volume of food output if the increased credit is used to increase fertilizer, private investment in machines and food crops [6].

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Agricultural credit could be obtained from either the formal sources which are the commercial banks and government owned institutions, or the informal sources which are the self-help-group (SHG), money lenders, cooperatives and Non-Governmental Organizations (NGOs) [7]. However, informal source of credit is more popular among small scale farmers which may be due to the relative ease in obtaining credit devoid of administrative delay, non-existence of security or collateral, flexibility built into repayment which is against what is obtained in the formal sources. Also, Izekor and Alufohai, [8], noted that the informal rural financial sources in Africa perform better than the formal system because the institutional lending system has failed to meet the objective for which they were set up.

Following from the above, the small scale farmers are forced to source for capital from relations, moneylenders and group contribution. All of these are known to be ineffective in providing capital for substantial increase in agricultural production. The last hope for the small scale farmers then lies with the cooperative societies. The cooperative societies have been identified to be a better channel of credit delivery to farmers in term of its ability to sustain the loan delivery function [9].

Statement of the Problem: Despite its microfinance power, the Cooperative Societies as an informal source of finance has serious setbacks. One of these problems is the inadequate amount of capital that can be raised from the members of the cooperative society when compared to the need of small scale industrialists. There are factors however that have militated against the efficiency of cooperative sector as an economic tool of microfinance, job creation, poverty eradication and wealth creation. Some of these are bad leadership, lack of mutual training and exposure to modern management techniques, ambiguous government role in the cooperative movement, as well as the challenges of the changing world. The perceived benefits and problems of cooperative societies in the financial sector era is worthy of exploration. There is paucity of research in this regards in the Nigerian context.

Objectives of the Study: The broad objective of this study is to appraise credit delivery for agricultural enterprises in Nigeria focusing on Ezeagu South Development Area.

The specific objectives include the following:

- To determine the effectiveness of cooperative societies in credit delivery for agricultural enterprises in Ezeagu South Development Area.
- To investigate the effect of training on cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.
- To identify the challenges militating against the role of cooperatives in provision of credit facilities.

Research Questions:

- What is the effectiveness of cooperative societies in credit delivery for agricultural enterprises in Ezeagu South Development Area?
- Does training have significant effect on cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area?
- What are the challenges militating against the role of cooperatives in provision of credit facilities?

Research Hypotheses: Hypothesis One

H_O: Cooperative societies are not effective in credit delivery for agricultural enterprises in Ezeagu South Development Area.

H_I: Cooperative societies are effective in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Hypothesis Two

H_O: Training does not affect cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.

H_I: Training affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Hypothesis Three:

H_O: There are no significant challenges militating against the role of cooperatives in provision of credit facilities.

H_I: There are significant challenges militating against the role of cooperatives in provision of credit facilities.

Significance of the Study: This study will be of enormous significance to the cooperatives in Ezeagu Development Area in the sense that it will go to a great extent in enlightening them on the need to provide credit facilities for rural development.

Students and other researchers will as well widen their scope from the information contained in this study.

Scope of the Study: This study on credit delivery for agricultural enterprises in Nigeria: The roles of cooperative societies cover Ezeagu South Development Area.

Research Design and Methodology: The researcher used descriptive study which can provide information about the naturally occurring health status, behavior, attitudes or other characteristics of a particular group.

Area of Study: Ezeagu Soouth is a Development Area of Enugu State, Nigeria. Its headquarters are in the town of Aguobu-Owa. It has an area of 633 km² and a population of 169,718 at the 2006 census.

Ezeagu South Local Government Area is endowed with natural and cultural tourism resources located all over the community, having the highest concentration in Ihuezi Obunaofia Ndionu community, which when harnessed can produce a distinctive tourism industry capable of generating income and raising the living standard of the people.

Population of Study: The population of this study consists of five (5) selected cooperative societies in Ezeagu South Development Area. Their total population is 301.

Determination of Sample Size: In order to get a representation of the entire population, the Taro Yamani statistical formula was employed. According to Taro Yamane [10], the formula is stated as follows

$$n = \frac{N}{1+N(e)^2}$$

where
n = Represents the sample size
N = Represents the population
e = Represents the margin of error
I = Constant

For the purpose of this study, N will be equal to 301, e will be assumed to be 5%

Therefore the sample size for this research work will be

$$n = \frac{301}{1+301\ (0.05)^2}$$

$$= \frac{301}{1+ 301\ (0.0025)}$$

$$= \frac{301}{1 + 0.7525}$$

$$= \frac{301}{1.7525}$$

$$n = 171$$

The sample size for this study is 171.

Research Instrument: The instrument of this study was questionnaire administration distributed to the respondents.

Research Analysis: A total of 171 copies of questionnaire were distributed to the respondents and 18 copies were lost while 153 copies were returned.

Table 1: Distribution of Respondents by Gender.

Gender	Number of respondents	Percentage
Male	94	61
Female	59	39
Total	153	100

Source: Field survey, 2016

The above table shows that 61% of the respondents are male while 39% of them are females.

Table 2: Distribution of Respondents by Ages.

Ages	Number of respondents	Percentage
20 – 30	43	28
31 – 40	52	34
41 – 50	33	22
51 and above	25	16
Total	153	100

Source: Field survey, 2016

The above table shows that 28% of the respondents are between the ages of 20 – 30 years, 34% of them are between the ages of 31– 40 years, 22% of them are between the ages of 41 – 50 years while 16% of them are from 51 years and above.

Table 3: Distribution of Respondents according to Marital Status

Status	Number of respondents	Percentage
Single	93	61
Married	60	39
Total	153	100

Source: Field survey, 2016

The above table shows that 61% of the respondents are single while 39% of them are married

Table 4: How effective are cooperative societies in credit delivery for agricultural enterprises in Ezeagu South Development Area?

Options	Number of respondents	Percentage
Very effective	60	39
Effective	43	28
Ineffective	30	20
Very ineffective	20	13
Total	153	100

Source: Field Survey, 2016

The above table shows that 39% of the respondents are of the opinion that cooperative societies are very effective in credit delivery for agricultural enterprises in Ezeagu South Local Development Area, 28% said effective, 20% said ineffective while 13% very ineffective.

Table 5: How does training affect cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area?

Options	Number of respondents	Percentage
Positively	100	65
Negatively	53	35
Total	153	100

Source: Field Survey, 2016

The above table shows that 65% of the respondents are of the opinion that training positively affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area while 35% of them said negatively.

Test of Hypotheses: The hypotheses will be tested using the chi-square formula stated below:

$$X^2 = \frac{\Sigma(0 - \Sigma)^2}{\Sigma}$$

where:
X^2 = Calculated chi-square
0 = Observed frequency
E = Expected frequency
Σ = Summation

The expected frequency (E) is calculated by adding all the observed frequency (0) and dividing by the number of observations.

Decision Rule: If the calculated chi-square value (X^2) is greater than or equal to the table value at 0.05 level of significance, the alternate hypothesis (H_1) is accepted, but if the calculated chi-square value is less than the table value, the null hypothesis (H_0) is accepted.

Hypothesis One:

H_O: Cooperative societies are not effective in credit delivery for agricultural enterprises in Ezeagu South Local Development Area.
H_I: Cooperative societies are effective in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Table 6: Data from table 4 was used to test the hypothesis

Variables	O	E	0 – E	$(O – E)^2$	$(0 – E)^2$ E
Very effective	60	38.25	21.75	473.06	12.37
Effective	43	38.25	4.75	22.56	0.59
Ineffective	30	38.25	- 8.25	68.06	1.78
Very ineffective	20	38.25	- 18.25	333.06	8.71
Total	153	153			23.45

The calculated chi-square value = 23.45

Df = (K – 1) (4 – 1) = 3

Table value at 0.05 of significance and 4 degree of freedom (Df) = 7.3777

Decision: Since the calculated chi-square (X^2) value (23.45) is greater than table value (7.3777), we reject the null hypothesis (Ho) and accept the alternate hypothesis (H_1) which states thatcooperative societies are effective in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Hypothesis Two:

H_O: Training does not affect cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.
H_I: Training affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Table 7: Data from table 5 was used to test the hypothesis

Variables	O	E	0 – E	$(O – E)^2$	$(0 – E)^2$ E
Positively	100	76.5	23.5	552.25	23.5
Negatively	53	76.5	- 23.5	552.25	23.5
Total	153	153			47

The calculated chi-square value = 47

Df = (K – 1) (2 – 1) = 1

Table value at 0.05 of significance and 4 degree of freedom (Df) = 3.8

Decision: Since the calculated chi-square (X^2) value (47) is greater than table value (3.8), we reject the null hypothesis (Ho) and accept the alternate hypothesis (H_1) which states thattraining affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.

Summary of Findings, Conclusion

Summary of Findings: The study found out that cooperative societies are very effective in credit delivery for agricultural enterprises in Ezeagu South Development Area.

The study also found out hat training positively affects cooperatives effort in credit delivery for agricultural enterprises in Ezeagu South Development Area.

CONCLUSION

Agricultural credit could have effect on agricultural output because it could have a secondary spillover effect on non-farm household via input labour and output linkages. When farmers face a credit constraint, additional credit supply can raise input use, investment and hence output, these they refer to as liquidity, better agricultural credit facilities can help farmers smooth out consumption and therefore, increase the willingness of risk adverse farmers to take risks as consumption smoothing effect. Hence, a better agriculture credit may lead to a higher volume of food output if the increased credit is used to increase fertilizer, private investment in machines and food crops.

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