

**ASSESSMENT OF CONSTRAINTS TO MICRO-CREDIT
ACQUISITION AMONG SMALL-SCALE FARMERS IN OKEHI LOCAL
GOVERNMENT OF KOGI STATE, NIGERIA**

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ABSTRACT

The constraints to micro-credit acquisition among small-farmers in Okehi Local Government Area of Kogi State, Nigeria, were assessed in this study. Multistage sampling technique was used for collecting sample of 125 respondents. Data were collected through a structured questionnaire and analysed using Descriptive statistics and Probit model. Results showed that average age of respondents was 47 years, 92% of respondents were male, and 44.8% of respondents were married. Also, 46.4% had secondary education. Average household size was 9 persons. Average farming experience was 15 years, average farm size was 3 hectares, and average annual income was N264, 000. Also, 86.4% of the respondents did not belong to any co-operative society and 88% did not have access to micro-credit. High interest rate, poor information flow, untimely credit disbursement, high deduction, administrative red-tape and fear of poor harvests were serious constraints to micro-credit acquisition. Personal savings and borrowing from family and friends were major sources of credits. Major sources of credit information were neighbour, family/relatives. Result of Probit model showed that the probability of small-scale farmers access to micro-credit was determined by age of respondents, with negative coefficient and significant at 5% ($p < 0.05$) alpha level, implying that the probability of accessing micro-credit decreases with increase in age. It was recommended that Farmers should come together to form farmers' multipurpose co-operative societies to enable them pool resources together so as to overcome challenges which an individual farmer cannot surmount. Such co-operatives can also serve as micro-credit lending institution to their members.

Keywords: Assessment, Acquisition, Farmer, Constraint, Micro-credit.

INTRODUCTION

Agriculture in Nigeria comprises mainly of smallholder farmers who operate at subsistence level, with land holding average of less than 5 hectares (Asogwa, *et al.*, 2014). These smallholder farmers produce about 90% of food in Nigeria and more than 65% of the rural dwellers depend on the sector (Food and Agriculture Organization, FAO, 2017). Subsistence agriculture is characterized by traditional farming methods owing to low output, low income, low capacity to save, lack of collateral for accessing credit, low investment, poor access to innovation, poor infrastructure, inadequate access to markets, land and environmental degradation, poor extension and research services and finally the inability to consider and improve the financial requirements of these farmers (Zeller *et al.*, 2018).

The importance of credit to agriculture in Nigeria cannot be over-emphasized. Credit provides smooth flow of money when there is constriction in cash flows that could disrupt food production (Ssonko and Nakayaga, 2014). Agricultural credit is a financial support that small scale farmers can receive in order to bridge the gap between income and expenditure in the field. According to Ijioma and Osondu (2015), access to agricultural credit is an important focus of policy makers since availability of credits facilitates the application of other production factors. Thus, agricultural credit is a key resource in the development of agriculture in Nigeria (Ssonko and Nakayaga, 2014).

Credits acquisition and effective utilization bring about an increase in farm output and production efficiency (Obwona, 2016). Farmers need credits because of the seasonal pattern of their activities and the uncertainties they face. Agricultural credit enhances productivity and promotes standard of living of the rural dwellers. The decline in agricultural output in Nigeria is partially a function of lack/inadequate credit facilities which has prevented rural farmers from adopting new technologies (Nukpezah and Blankson, 2017). Fletschner *et al.*, (2010) perceived agricultural credit efficiency as the foundation of agricultural productivity, farm investment and profit. Kochar (2017) was of the opinion that agricultural productivity is not dependent on credit.

Many research works have been conducted on agricultural credits. For instance, Muhammad *et al.*, (2013) conducted a research on access to agricultural credit, Al-Hassan and Sagre (2016), compared the effect of interest rate on access to agricultural credit, Asogwa *et al.* (2014) focused on access to credits by specific farmers, (Ijioma and Osondu, 2015; Mgbakor, 2014) worked on sources of credits while (Badiru, 2010; Asogwa, Abu and Ochoche, 2014) researched into access to credits by small scale farmers and so on. However, the problem of micro-credit in Nigeria has not been adequately assessed despite various approaches at curbing the challenges.

Also, government has introduced programmes aimed at giving small scale famers access to micro-credit for agricultural enterprises in order to boost food production in Nigeria but there is paucity of empirical records of some of these programmes which is unimpressive and cannot bring about the expected transformation of rural economy (Ekwere and Edem 2014).

The problem of inaccessibility of micro-credit among small scale farmers continues to exist, as vast majority of them cannot access micro-credits to expand their farms. It is against this background that this study was designed to assess constraints to micro-credit acquisition among small scale farmers in Okehi Local Government Area of Kogi State. The following research questions were salient to this study; what are the socio-economic characteristics of small-scale farmers in the study area? What are the constraints to micro-credit acquisition among small-scale farmers in the study area? What are the sources of credits and sources of credit information available to small-scale farmers in the study area? And what are the factors influencing access to micro-credit among small-scale farmers in the study area? Therefore, the specific objectives of this study were to:

- (i) describe the socio-economic characteristics of small-scale farmers in the study area
- (ii) assess the constraints to micro-credit acquisition among small-scale farmers in the study area
- (iii) identify sources of micro-credits and sources of micro-credit information among small-scale farmers in the study area
- (iv) ascertain factors that influence access to micro-credit among small-scale farmers in the study area.

METHODOLOGY

This study was carried out in Okehi Local Government Area of Kogi State. The Local Government Area was created in 1976 out of the defunct Ebira Local Division. It is situated in the North central geopolitical zone of Nigeria, with the headquarters at Obangede. It shares boundaries with Adavi, Lokoja, Akoko edo and Kabba-Bunu Local government areas. It has an estimated population of 184,732 inhabitants dominated by Ebira ethnic group (National Population Census, 2006). Okehi Local Government Area covers an area of 661 kilometres square, average temperature of 29⁰C, average wind speed of 11km/hr, average humidity level is 55 percent and it is characterized by hills and valleys. Common crops cultivated are: Maize, Yam, Cassava, Tomatoes, Cowpea and so on. The Local Government Area is in the tropical wet and dry climate zones. Mineral deposits in the area are: Iron ore, Gemstone and Clay.

The population for this study were crop farmers. Multistage sampling technique was used for sample collection. First, three districts namely Ihima, Okaito and Obangede were selected at random, secondly, five villages were randomly selected from each of the three districts, making fifteen villages. Thirdly, ten percent (10%) of the sample frame formed the sample size of one hundred and twenty five (125) respondents and questionnaire was administered to them. The sample collection plan is presented in Table 1.

Table 1: Sample Distribution Plan

District	Villages	Sample frame	Sample size (10%)
Ihima	Ebako	90	9
	Oride	50	5
	Otaneira	100	10
	Iruvusechi	110	11
	Inata	90	9
Okaito	Osada	60	6
	Ohuepe	70	7
	Okaito	100	10
	central	90	9
	Ohuri	80	8
Obangede	Okovito	80	8
	Atami	70	7
	Asango	80	8
	Ahosochi	70	7
	Eika ehi	110	11
	Obangede	1,250	125
	Total		

Source: Okehi Local Government Area

Methods of Data Analysis

Descriptive statistics were used to describe the socio-economic characteristics of the respondents as well as sources of micro-credit and micro-credit information among the farmers. Three point Likert type scale was used to describe the constraints to micro-credit acquisition, while Probit model was used to estimate the factors influencing access to micro credit.

Model specifications

Probit regression model was adopted for the analysis of factors influencing access to micro-credit, this is because the dependent variable (access to credit) was binary. This was adopted following Ikenna et al (2020), who applied the Probit regression model to assess agricultural credit Sources and accessibility in Nigeria. The model is stated as follows:

$$Y=f(X_1, X_2, X_3, X_4, X_5, X_6, X_7, X_8 \text{ and } X_9) \quad (1)$$

Where:

Y = Access to credit (a binary variable; 1, for farmers that have access to micro-credit and 0, for farmers that do not have access to micro-credit)

X₁-X₆= Explanatory variables (the predictors)

The model is specified explicitly as:

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5X_5 + \beta_6X_6 + \beta_7X_7 + \beta_8X_8 + \beta_9X_9 + \epsilon_i \quad (2)$$

Where:

Y=Dependent variable (access to credit) which is a binary response variable predicted by the model (with responses coded as Yes=1, No=0)

$\beta_1 - \beta_9$ = Coefficients of the explanatory variables

β_0 = Constant

ϵ_i = Error term

X₁ = Age of farmer (years)

X₂ = Gender of farmer (Male=1, Female=0)

X₃ = Marital Status (Single=1, Married=2, Divorced=3, Widow=4, Widower=5)

X₄ = Educational Level (No formal education = 1, primary education = 2, secondary education =3 and tertiary education = 4)

X₅ =household size (Number of persons)

X₆ = farming experience (Years)

X₇= Co-operative membership (Yes=1, No=0)

X₈=farm size (hectares)

X₉= Annual income (₦)

The constraints faced by the farmers were assessed with Mean scores of responses obtained from three point Likert scale:

Serious	1
Undecided	2
Not Serious	3

Mean score of each item was determined using:

$$\bar{X} = \frac{\sum FX}{N} \quad (3)$$

Where: \bar{X} = Mean of responses, \sum = Sigma (Summation), F = Frequency, X = Numerical value of the scale point and N = Number of respondents.

The mean response to every item was interpreted with real limits of numbers. The numerical value of the scale points and their respective real limits are as follows:

Serious constraints = 1-1.70

Undecided = 1.80-2.49

Not serious constraints = 2.5-3.00

This means that any mean score between 1 to 1.70 depicted ‘Serious constraints’

Mean score from 1.8 to 2.49 was considered as ‘Undecided’ while Mean score of 2.50 to 3.00 was considered ‘Not serious constraints’.

RESULTS AND DISCUSSION

Socio-economic Characteristics of Respondents

The result of the socio-economic characteristics of the respondents is presented in Table 2. The result shows that the average age of the respondents was 47 years which implies that most of them were young adults who are still active and energetic, who could apply maximum physical labour and skills required in farming. This is similar to the findings of Adebayo (2018), who found that the “mean age of farmers in Kogi State was 36 years, suggesting that majority of the farmers were young and active to carry out farm operations”. Analysis of gender showed that majority (73.6%) of the respondents were male while 26.4% were female. This probably is because traditions of rural settings support more male ownership of land than female ownership. It could also be that those males were stronger to face the tedious nature of work involved in farming. This agrees with the findings of Ifeanyi-Obi *et al.*, (2014), who reported that “majority (65%) of farmers in Dekina Local Government were males”.

Table 1 shows the distribution of the

Variables	Frequency	Percentage	Mean
Age (years)			
21-30	18	13.60	47 years
31-40	21	16.80	
41-50	36	28.80	
51-60	25	20.80	
61-70	25	20.00	
Total	125	100.0	
Gender			
Male	92	73.60	
Female	33	26.40	
Total	125	100.0	
Marital status			
Single	18	14.40	
Married	56	44.80	
Divorced	17	13.60	
Widow	21	16.80	
Widower	13	10.40	
Total	125	100.0	
Education			
No formal educ.	30	24.00	
Primary educ.	21	16.80	
Secondary educ.	58	46.40	
Tertiary educ.	16	12.80	
Total	125	100.0	
Household size			
1-4	22	17.60	9Persons
5-8	52	41.60	
9-12	25	20.00	
13-16	17	13.60	
17-25	9	7.20	
Total	125	100.0	
Farming exp.			
1-5	29	23.20	15 Years
6-10	15	12.00	
11-15	17	13.60	
16-20	19	15.20	
21-30	45	36.00	

Total	125	100.0	
Farm size (Ha)			
1-2 ha	22	17.60	3 Ha
2-3 ha	47	37.60	
3-4 ha	25	20.00	
4-5 ha	20	16.00	
5-6 ha	11	8.80	
Total	125	100.0	
Ann Inc (₦'000)			
101-200	44	35.20	₦264
201-300	35	28.00	
301-400	31	24.80	
401-500	15	12.00	
Total	125	100.0	
Membership of co-operatives			
Yes			
No	17	13.60	
Access to credit	108	86.40	
Yes			
No	15	12.00	
Total	110	88.00	
	125	100.0	

Table 2 also revealed that most (44.80%) of the respondents were married, farming is their major occupation with which they cater for the needs of their family. This also agrees with the finding of Ifeanyi-Obi et al, (2014) who found that “majority (88%) of the farmers in Dekina Local Government were married”. Also, most (46.40%) of the respondents had secondary education. This implies that majority of them were in the better position to access information on micro-credit, have better understanding and adopt new improved farm techniques. This is in line with the findings of Hauwa et al, (2020) who reported “that Secondary education was the most common level of education among farmers in Zone ‘C’ region of Kogi State because most of the farmers (30%) had secondary education”. The result on household size shows that the respondents had an average household size of nine (9) persons, implying that the farmers maintain moderately large household size which could be a good source of labour for doing farm work.

This is similar to the findings of Ajah et al (2017), when they reported that higher percentage of rice farmers in Biase Local Government Area of Cross River State, Nigeria had household size of 6-10 members. Also, result on farming experience reveals that the average farming experience of the respondents was 15 years, which implies that farmers in the study area have a considerable number of years in farming. The more the years of farming experience, the more likely farmers are to be trusted by formal credit institutions.

This contradicts the findings of Ikenna et al, (2020), who found “that many of the farmers in Nigeria have less than 10 years of farming experience”. Table 2 also shows that the average farm size of the respondents was 3 hectares. This implies that farmers were mostly small-scale farmers who produce basically for household consumption, with little or no excess for sale. This is consistent with the findings of Asogwa et al, (2014), who reported that smallholder farmers in Nigeria operate at subsistence level with land holding average of less than 5 hectares. The result also reveals that the average annual income of the respondents was two hundred and sixty four thousand naira (₦264), implying that the annual income of the farmers in the study area is small. Small income may be as a result of the small farm size. The result in table 2 also reveals that majority (86.4%) of the respondents do not belong to any co-operative society. This implies that there is no common avenue for farmers to benefit from one another and as such cannot have access to micro-credit facilities offered by co-operatives to members. This is in line with the findings of Ikenna *et al*, (2020) who reported that many farmers in Nigeria do not belong to co-operatives. The result also showed that majority (88%) of the respondents do not have access to micro-credit. This is consistent with the findings of Oluwafemi et al (2018) who found that majority of the farmers in Ekiti State do not have access to agricultural credit.

Constraints to Micro-credit Acquisition among Small Scale Farmers

Table 3 presents the result on the constraints to micro-credits acquisition among small scale farmers in the study area. Based on the decision rule, high interest rate with mean score of 1.55 was as a serious constraint to micro-credit acquisition among small scale farmers. This implies that Interest rate is one of the factors that inhibits small scale farmers from accessing micro-credit because both the formal and informal sources of micro-credits charge interests on their lending. This result is consistent with the findings of Ifeanyi-Obi *et al*, (2014), who reported that “high interest rate was one of the major problems that constrained farmers in Dekina Local Government Area of Kogi State from obtaining credit from the formal credit institutions but have resorted to getting credit facilities from informal sources such as local money lenders, family members and friends.” Also, high deduction (that is, the difference between the amount of money sought and the amount actually disbursed to the farmers) with a mean score of 1.47 was also a serious constraint faced by small scale farmers in acquiring micro-credit. The amount disbursed would not be enough to cater for the needs of farmers. This eventually deter farmers from apply for micro-credit, especially from the formal credit institutions.

This agrees with the findings of Ikenna et al, (2020) who reported that “a high percentage of farmers in Nigeria, agreed that the difference between the amount of credit requested and the amount disbursed to them really affects farmers’ accessibility to credit”.

This high deduction has discouraged many farmers from applying for credit. Another serious constraint to micro-credit acquisition among farmers in the study area was Poor flow of information, with a mean score of 1.53. Access to credit information plays an important role in determining whether or not a farmer can access credit. This study reveals that lack of information on micro-credit availability is a serious constraint denying small scale farmers access to micro-credits. This is also in line with Ikenna, et al, (2020) who reported in their study on assessment of agricultural credit sources and accessibility in Nigeria that unavailability of information on credit is was one of the constraints that hindered farmers’ access to credit in Nigeria. The result also revealed that untimely disbursement of credits (1.56) was another serious constraint to micro-credit acquisition among farmers in the study area because credits do not get disbursed to the farmers on when mostly needed, making them to utilize the money for unintended purposes. This is consistent with the findings of Adebayo (2018) who found that untimely delivery of credit was a problem affecting the demand for formal credit among cassava farmers in Kogi State, Nigeria. Also, administrative red-tape which means due process that must be followed by the lending institutions before disbursing credits to the borrowers, with the mean score of 1.48 was also a serious constraint micro-credit acquisition in the study area.

One of the disadvantages of administrative red-tape is the delay in getting things done, it eventually gives birth to untimely disbursement of credits (1.56). This is consistent with the findings of Ahamefule et al, (2018), who found that a lot of time is spent in getting credit facilities in Abia State thereby discouraging rural farmers from trying to access credits. Also, based on the decision rule, lack of collateral has a mean score of 2.45 which depicts undecided. Respondents were not sure of whether collateral required for the acquisition of credit was a constraint to them, hence not decisive about it. This implies that some small scale farmers may not lack the collateral security required for credit acquisition. It is a setback to those who do not have properties to use as collateral while to some others who have properties to use as collateral, it is not a hindrance. Ahamefule *et al*, (2018) reported that inadequate/lack of collateral constituted a major setback to farmers. Farmers’ illiteracy, with a mean score of 2.27 was undecided. Education raises skill and qualities of farmers and by implication increases the rate of information assimilation, thereby increasing awareness of innovations that help to boost their productivities. This result also shows that lack of guarantor, with a mean score 2.50 is another constraint to the acquisition of micro-credit.

This implies that given opportunity to obtain micro-credit facilities, guarantor would not be a problem to the farmers in the study area. This does not agree with Adebayo (2018) who found from his study on the demand for formal credit among small scale cassava farmers in Kogi State, Nigeria, that lack of guarantor is a serious constraints to cassava farmers’ demand for formal credit in Nigeria.

Table 3: Constraints to Micro-credit Acquisition among Small Scale Farmers

Constraints	Serious	Undecided	Not serious	Mean	Decision
High interest rate	78(62.4)	25(20.0)	22(17.6)	1.55	Serous constraint
Lack of collateral	28(22.4)	13(10.4)	84(67.2)	2.45	Undecided
High deduction	82(65.6)	27(21.6)	16(12.8)	1.47	Serous constraint
Farmers are illiterate	34(27.2)	23(18.4)	68(54.4)	2.27	Undecided
Poor information flow	83(66.4)	18(14.4)	24(19.2)	1.53	Serous constraint
Lack of guarantor	21(16.8)	20(16.0)	84(67.2)	2.50	Not serous constrain
Administrative red-tape	79(63.2)	32(25.6)	14(11.2)	1.48	Serous constraint
Untimely disbursement of credits	77(61.6)	26(20.8)	22(17.6)	1.56	Serous constraint
Fear of poor harvests	63(50.4)	38(30.4)	24(19.2)	1.69	Serous constraint

Source: Field Survey, 2022

Sources of Micro-credits among Small-scale Farmers

The distribution of the respondents based on sources of credits is presented in Table 4. The result shows that most (49.6%) of the respondents raised their farming capital through personal savings. This is consistent with the findings of Ahamefule et al, (2018), who found that “majority of the farmers in Bende Local Government Area of Abia State obtained credit from Personal Savings”. Also, 37.6% of the respondents sourced credits from family members and friends. This also agrees with the findings of Ahamefule et al, (2018), reported that “majority of the farmers in Bende Local Government Area of Abia State obtained credits from informal sources mainly loans from relatives, friends, rotational savings groups or credit groups”. This study also reveals that 10.40 % of the respondents took credits from local money lenders who easily gave credit in most cases without too much delay.

Sources of Micro-credits Information among Small-scale Farmers

The distribution of respondents based on sources of credit information is also presented in Table 4. The result shows that majority (62.40%) of the respondents received information on credit availability from their neighbour, or friends and relatives. This implies that most of the farmers in the study area may not have access to radio, television and even newspapers as sources of information and eventually depend on informal means of receiving information on credit. This disagrees with the findings of Ifeanyi-Obi et al, (2014) who reported that most of the farmers in Dekina Local Government Area of Kogi State accessed credit information through radio and television. Also, 17.60% received information on credits by listening to radio. Also, 11.20% got information on credit through flyers and posters, and 4.80% and 4% of the respondents had access to television and newspaper respectively. Their low level of education as well as low income and lack or inadequate electricity supply could have deprived most of them access to formal sources of information flow such as Television, Radio and Newspapers.

Table 4: Sources of Micro-credits and Micro-credit Information among Farmers

Source of Credits	Frequency	Percentage
Co-operative society	3	2.40
Micro finance banks	00	0.00
Local money lenders	13	10.40
Family and friends	47	37.60
Personal savings	62	49.60
ACGS	00	0.00
Total	125	100.0
Sources of Credits Information		
Radio	22	17.60
Television	6	4.80
Newspaper	5	4.00
Posters/flyers	14	11.20
Neighbours, friends and Relatives	78	62.40
Total	125	100.0

Source: Field Survey, 2022

Factors Influencing Access to Micro-Credit among Small-Scale Farmers

Table 4 presents the result of Probit model analysis on the factors influencing access to micro-credit among small scale farmer in the study area. The result in Table 4 showed that the probability of small-scale farmers having access to micro-credit in the study area is determined by the age of the farmers because the coefficient of age was found to be negative and significant at 5% alpha level. This means that as farmers grow old, the probability of having access to micro-credit decreases, implying that younger farmers have higher probability of accessing micro-credit. This result contradicts the findings of Adebayo, (2018) who reported that the demand for formal credit among cassava farmers in Kogi State, Nigeria, increases with increase in age.

Table 4: Factors Influencing Access to Micro-Credit among Small-scale Farmers

Access to credit	Coeff.	Std. error	z	p >(z)	[95% Conf. Interval]	
Age	-.292789	.1457828	-2.01	0.045**	-.5785181	-.0070599
Gender	-.4297977	.3943218	-1.09	0.276	-1.202654	.3430588
Marital status	.0548043	.1489708	0.37	0.713	-.2371732	.3467818
Education	.1157002	.1856188	0.62	0.533	-.2481059	.4795063
Household size	-.1105796	.1474746	-0.75	0.453	-.3996245	.1784654
Farm. Experience	-.1451491	.1115122	-1.30	0.193	-.3637091	.0734108
Farm size	.1339536	.1522997	0.88	0.379	-.1645483	.4324555
Annual income	-.2009901	.1826067	-1.10	0.271	-.5588927	.1569125
Co-operatives	-.0682294	.5457824	-0.13	0.901	-1.137943	1.001484
_cons	.3034203	.9432025	0.32	0.748	-1.545223	2.152063
Number of obs	125					
LR chi ² (9)	12.01					
Prob > chi ²	0.2128					
Log likelihood	-39.861161					
Pseudo R ²	0.1309					

Source: Field Survey, 2022

CONCLUSION

This study assessed the constraints to micro-credit acquisition among small-scale farmers in Okehi Local Government of Kogi State, Nigeria. It is concluded that most of the farmers in the study area were male, mostly married with fairly large household size and with an average of 3 hectare of land. Annual income of farmers is two hundred and sixty four thousand naira on the average. Participation in co-operative societies is minimal among the farmers in the study area because 86.45 of the farmers do not belong to any co-operative society. High interest rate, administrative red-tape, poor flow of information, untimely disbursement of credits and high deduction from the amount of money sought, fear of poor harvest were the serious constraints hindering micro-credit acquisition among the farmers in the study area. The major source of micro-credit among the farmers were personal savings and borrowing from family members and friends/relatives, and the major sources of credit information were neighbours, friends/relatives. Age of the farmers was the significant factor that influences the probability of access to micro-credit among the farmers in the study area.

RECOMMENDATIONS:

Based on the findings of this study the following recommendations are made:

- (i) Farmers should come together to form farmers' multipurpose co-operative societies to enable them pool resources together so as to overcome challenges which an individual farmer cannot surmount. Such cooperative societies can also serve as micro-credit lending institution to their members.
- (ii) Establishment of formal micro credit institutions such as micro finance banks which could assist farmers in timely micro-credits disbursement is needed. Such formal micro-credits institution when established should try to make their terms and conditions flexible for farmers since most of them are secondary school leavers and some of them are illiterate who can easily get discouraged by such rigid terms and conditions.
- (iii) Formal communication channel is required in the study area to facilitate effective communication and speedy spread of information on micro-credit among the farmers.
- (iv) Interest rate on micro-credit to farmers should be reviewed and subsidized in order to encourage small-scale farmers to apply for micro-credit to boost their farming activities.

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