

EFFECT OF CREDIT ON FOOD MARKETING IN
AKURE LOCAL GOVERNMENT AREA OF ONDO STATE
AND OYE LOCAL GOVERNMENT AREA OF EKITI STATE.

BY

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ABSTRACT

This study examined and assessed the effects of credit availability and utilization on Food Marketing among Food Crops Marketers in Ondo and Ekiti States. Its objective included, identifying the sources of agricultural credit to Food Crops' Marketers, investigating the financial problems confronting Food Crops' Marketers in the study area, estimating the credit needs of these marketers and determining the effects of credit utilization on the Food Crops Marketers' Income.

It was carried out in the two Local Government Areas (LGAS) of Akure in Ondo State and Oye in Ekiti State, with the aid of structured questionnaires administered to 21 Financial Institutions and to 130 Food Crops' Marketers from the two LGAS. Data analysis entailed the use of Frequencies and Percentages, Paired T-Test, as well as Multiple Regression. Major findings from the study include: Majority of the respondents having low education which resulted in low ability of good communication; the marketers having large numbers of dependants, leading to increased demand for consumptive items such as feeding, school fees, clothing, medical expenses, etc. As regards gender among the food crops marketers, it was discovered that women predominate in foodstuff marketing.

Food Crops' Marketers in the study area considered friends and relations, 'Esusu' Institutions, Money Lenders, Local Businessmen and Traders, Cooperative Society and the Nigerian Agricultural and Co-operative Bank (NACB) as their important sources of credit. The respondents preferred informal to formal sources. The three most severe financial problems in the use of credit were, inadequacy of loan given, delay in loan disbursement and price fluctuations. The F-Test provides an overall test of significance of the regression equation. This test showed that F was statistically significant at 5%(0.05) level, thereby showing that the combined effect of the independent variables (family size, amount of loan for marketing purpose, cost of purchased items (food) and cost of handling goods before sales) were significant on the food crops' Marketers.



CERTIFICATION

I hereby certify that this Project was carried out by ADEEGBE, Johnson Oluigbade in the Department of Agricultural Economics and Extension, School of Agriculture and Agricultural Technology, Federal University of Technology, Akure

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Supervisor



DEDICATION

TO THE GLORY OF GOD;

MR AND MRS A. A. ADEEGBE

AND FAMILY.

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CHAPTER ONE

1.0 INTRODUCTION

1.1 AGRICULTURE IN NIGERIA'S ECONOMY

"In spite of the Importance of Oil, agriculture still remains the mainstay of the Nigerian economy" (Abe, 1981). According to Olaloku *et al* (1976), agriculture has been the main source of the rapid growth of the country's economy over the last ten to fifteen years.

The importance of agricultural sector may be stressed further in its contribution to the Gross Domestic Product (GDP). Table 1 shows the share of agriculture in GDP between 1960 and 1992. From about 59.8 percent between 1960-1965, the agricultural sector's share declined to about 22.4 percent between 1976-1980.

YEAR	AVERAGE ANNUAL AGRICULTURAL CONTRIBUTION	AVERAGE ANNUAL TOTAL G.D.P	PERCENTAGE SHARE OF AGRICULTURE IN TOTAL G.D.P
1960-65	N.A	N.A	59.8
1971-75	7,478.9	24,406.6	30.6
1976-80	6,697.7	29,897.4	22.4
1981-85	6,705.8	26,819.1	25.0
1986-90	31,498.0	83,118.0	37.9
1991-92	28,930.0	96,475.0	30.0

Table 1. Contribution of Agriculture to Nigeria's Gross Domestic Product (GDP) at 1984 Constant Factor Cost (, Million)

- Sources:
- (i) The Federal Ministry of Agriculture (1984)
 - (ii) Computed from various issues of the Central Bank of Nigeria's Annual Reports and Statement of Accounts.

Agriculture is the pivot on which the economy of Ondo State revolves and 75% of the population is engaged in this sector. The State is the largest producer of Cocoa in the Country, producing over 60% of the cocoa output in Nigeria. She is also the second largest producer of timber and palm produce in the country. The State produces and markets large quantities of food crops which include yams, maize, cassava, rice, plantain, banana, cocoyam, tomatoes, fruits and vegetables (Oni, 1992).

Therefore, the crucial role of agriculture in the overall economic development of Ondo and Ekiti States and Nigeria as a whole include provision of food, main employer of labour and provision of raw materials for the country's agro-based industries. It is also the foreign exchange earner and a fundamental source of shelter and clothing.

The map of Ondo and Ekiti States is shown in figure 1.

1.2 CHARACTERISTICS OF NIGERIAN AGRICULTURE

Based on the size of farm holdings, Ijere (1981) asserted that Nigerian agriculture is characterised by a large number of small scale farmers who have farm holdings scattered over a wide expanse of land area with holdings ranging from 0.05 -3.00 hectares. Of the 91.07 million hectares of farmland available in Nigeria, about 75.3% may be regarded as arable land while 10.0% is under forest reserves and the remaining 14.7% is assumed to be made up of permanent pastures, built up areas and uncultivable wastes (Olayide, 1979).

Nigerian agriculture is characterised by low farm incomes, low levels of capacity to satisfy the food and fibre needs of the country and primitive techniques of production (Nwankwo, 1980). It is infact a proto-type of peasant agriculture which has been described by various writers as caught in a vicious cycle of poverty - low income leading to poor savings and little investment in yield increasing technology. Because technology is poor, output is low and income is low. Agriculture in Nigeria is caught in a low level equilibrium trap.

The rate of return cannot rise due to the nature of technology in use, such agriculture has been described as efficient but poor (Firth, 1964.)

1.3 PROBLEMS OF FOOD PRODUCTION, PROCESSING AND MARKETING IN NIGERIAN AGRICULTURE.

FOOD PRODUCTION

Food production is a sub-sector of the agricultural sector of the Nigerian Economy.

In the area of production, among the factors contributing to the adverse food situation are the following: according to Famoriyo, 1980.

- (a) Change or shift in the pattern of demand for food. The shift arises as a result of the emergence of large scale contract purchases of food for public institutions such as the Nigerian armed forces, the Hospitals, Universities, Colleges, Polytechnics and Secondary schools.
- (b) During the political unrest in the country in the late sixties, there was extensive disruption of food production. (Famoriyo 1980).
- (c) The rapid rate of migration of youths to urban areas resulting in less active people being left to produce food on the farms.

- (d) Lack of coordination in planning agricultural development programmes contributes to low food production. The effects of lack of coordination are seen in the areas of loan disbursement and repayments, under-utilisation of land, ineffective liaison between the food farmers and the authorities (Famoriyo, 1980).
- (e) Climatic fluctuations have constituted a constraint to increasing agricultural production in Nigeria. One of the most crucial effect of the climatic factors has been the lack of moisture at the most critical period of crops growth.
- (f) Particularly in the sub-sector of fishery production and animal husbandry, which are potential areas of increasing food production in Nigeria, the low level of technology has constituted a drawback.

PROCESSING OF FOOD

While it is generally believed that Nigeria has the potentiality for processing (food) products aimed to substitute for imports, yet the rate of growth of the agro-processing industries has been very slow (Famoriyo, 1980). It is only in recent year that agro industrial activity in Nigeria has been increasing in the area of processing of food and agricultural raw materials. Problems of poor quality and inadequate raw materials are worsened "by the absence of bulk storage and marketing facilities for the raw materials; by the lack of integration and coordination in the planning and execution of agro-based industries; and by the low capitalisation levels of some of the industries" (Famoriyo, 1980).

From the performance of existing processing projects, Olayemi (1974) has drawn a number of implications as follows:-

- (a) Need for pre-investment planning so as to forestall problems such as shortage of raw materials, storage facilities and capital as occurs in the fruit canning enterprises as well as shortage of manpower.
- (b) Existing usage of new technology (which are available) is essential. This is so particularly for flour milling, dairy and fish processing industries.
- (c) Acceleration of research efforts is essential, most especially in evolving better varieties in cases where local varieties (of tomato, for example) may not be suitable for processing on a commercial scale.

- (d) Because of its high degree of perishability, the inadequate physical infrastructure of poor roads, bad water supply, irregular electricity supply contribute to the high cost of production of food crop processing (Famoriyo, 1980)

MARKETING OF FOOD

The complexity of food marketing in Nigeria stems from the fact that there exists marketing channels for different types of commodities. Also, the channels for the same type of commodity may vary from one part of the Country to another.

The marketing system in Nigeria's rural areas has traditionally been by head portorage from the farms to the markets.

Below are the summary of the deficiencies in the marketing of foods crops in Nigeria;

- (a) High losses of between 20 – 50 percent of food crops through wastage during the marketing process. This is due to inadequate and inefficient storage systems (Famoriyo, 1980).
- (b) Poor and defective market information contributes to high market differentials.
- (c) Poor performance of local processing techniques leads to high perishability of many staple products.
- (d) When inaccessibility to many producing areas is a problems, many products (fruits, particularly oranges) are left unpicked. Food that are harvested consumed rather than marketed and the farmer gains no incentive to pursue further (higher) production.
- (e) Hindrance of inter rural and inter state movement of food due to inefficient transport network and the inability to link production areas in the villages with the excellent major highways in the country.

This combination of production, processing and marketing (with transport and storage) constitute the anchor towards future crop production in Nigeria as in West Africa.

1.4 CREDIT IN NIGERIAN AGRICULTURE

Although, the oil sector has now dominated the Nigerian economy, contributing up to 80% of government revenue, and more than 90% of the country's foreign exchange, it is still the agricultural sector that is sustaining the majority (70-75%) of the country's population estimated at about 107 million in 1998.

In addition, agriculture contributes about 53% of the GDP and 72% of the non-oil exports, apart from its provision of raw materials for industries and markets for Industrial Outputs (Green Revolution, 1980). The contributions of agriculture are expected to increase rapidly in future since the expansion of agricultural production is a policy focus of the country's long term development. Within the sector, the small scale holding is predominant, engaging the majority of farm workers. While the few large farmers have relatively easier to supply of inputs and funds, their smaller counterparts do not.

Despite the size of the agricultural sector in the economy, government expenditure on the sector had been small. A look at either State or Federal budgets or the development plans, would reveal that a very small fraction of the fund is usually allocated to agriculture. For example, in the 1975-80 development plan, an average 10% of state funds were earmarked for the sector. This varies a great deal among states with some allocating less than 3% to the sector. The Federal Government allocation to the sector was only 2.9% in the plan. Within the sector itself, about 40% of the fund was allocated to food crop production by all states. This ranges from 11.8% in Sokoto to 67.5% in Anambra State (Green Revolution, 1980).

With the Green Revolution focusing substantially on the provision of food, and especially grains, the need for additional funding of the food subsector cannot be over stressed.

Credit is regarded as a major factor in agricultural development, and the lack of it is usually given as an explanation for many of the problems facing the sector in developing countries. It is argued, for example, that if credits were made available, the retarded agricultural sector would start moving. Credits can stimulate the growth of agriculture by their contributions to the modernization of the sector, that is the provision of new equipment like tractors, ploughs and other machinery which would replace hoes and cutlasses and improved seeds, fertilizers and other chemicals. Also, agricultural staff and extension workers may be employed, cultivated land areas expanded while the marketing of agricultural produce can be facilitated (Green Revolution, 1980).

Investigations on the uses to which Credit is put by small scale farmers revealed that food and farm labour constitute the major items. Labour input for example, takes about 80% of cash expenditure on the farm. Osuntogun (1975) found that in Nigeria, the cost of labour had risen very sharply within the last few years following the various salary reviews, and the resultant drift of labour from rural to urban areas. The situation has worsened in most rural areas.

Credits are used to purchase food for the family especially prior to the harvesting season, when the food stock is depleted. Other areas where small scale farmers employ available credits include the purchase of seeds, seedlings, and fertilizers, and the marketing of crops.

Although, credit requirements of small scale farmers and marketers are difficult to estimate, a study by Agricultural Project Monitoring, Evaluation and Planning Unit (APMEPU) in 1976 - 1978 revealed that the needs of a small holder range between 35.00 and 110.00 per year. This proportion is important when it is realised that the total farm family income averages from 260.00 to 390.00 per year (FAO/World Bank, 1981).

The sources of agricultural credit can be classified broadly into formal (institutional) and informal (non institutional sources). While the formal sources include Commercial Banks, Agricultural Credit Corporations and Co-operative Societies, the informal sources consist of friends, relatives, money lenders etc. The needs of large scale farmers are mostly met by institutional sources, while friends, relatives, and money lenders have played a very significant role in the supply of credits to small scale farmers or food crops marketers. For example, Miller (1977) showed that in the Western and Kwara States about 58% of the available credits were supplied by friends and relatives, 24% by money lender and only 30% came from institutional sources. Similarly, Osuntogun showed that 32% of the needs of small scale farmers in two villages in Western state came from friends and relatives while 13% came from money lenders (Osuntogun, Op Cit). While large scale farmers can obtain loans from commercial Banks and Credit Corporations, these institutions are reluctant to assist small scale farmers. For example, 22 banks which were located in predominantly farming communities revealed that none of them gave loans to small scale farmers (Oluwasanmi, 1966). In another case, 40% of another group of banks reported that they were unwilling to assist agriculture because it is unproductive (Ojo, 1976).

The small scale farmers are faced with credit problems from both the institutional and non-institutional sources. From the non-institutional perspective, the problems have to do with the very scarce and unreliable supply of credits.

Miller, (1977), on his investigation showed that money lenders charged about 90% or more as interest rate. This is likely to be a common cause of the chronic indebtedness of the small scale farmers and food crops marketers. On the institutional front, the problems relate to the reluctance of Commercial Banks and other financial institutions to grant credit due to lack of productivity in

agriculture, the difficulty of estimating returns from the sector and the need to present collateral securities to financial houses.

1.5 FOOD MARKETING ENTERPRISES

The process of food marketing business starts with rural assemblers who buy from the farmer and sell to other assemblers or to wholesalers. In many cases more than one transaction takes place between the firm and the city wholesaler. The greater the physical distance, the greater the likelihood that several intermediaries are involved in the process. In some cases a processor may buy from the farmer or an assembler. Assemblers or processors may transport their own product, but they are more likely to hire a specialised transporter.

Similarly, the assembler or processor may store the product for a time to obtain higher prices or may use the services of a specialised storage company. The assembler or processor will sell to a wholesaler or to a retailer, who provides the final product for the consumer. Clearly, several middlemen are involved as food crop makes its journey to the consumer. Most of these middlemen are so far removed from the consumer that they are totally unaware of the consumers' preferences or complaints. Farmers are certainly too far removed from the consumer to be aware of such things. Figure 2 illustrates how the main components in the food production and marketing system are related.

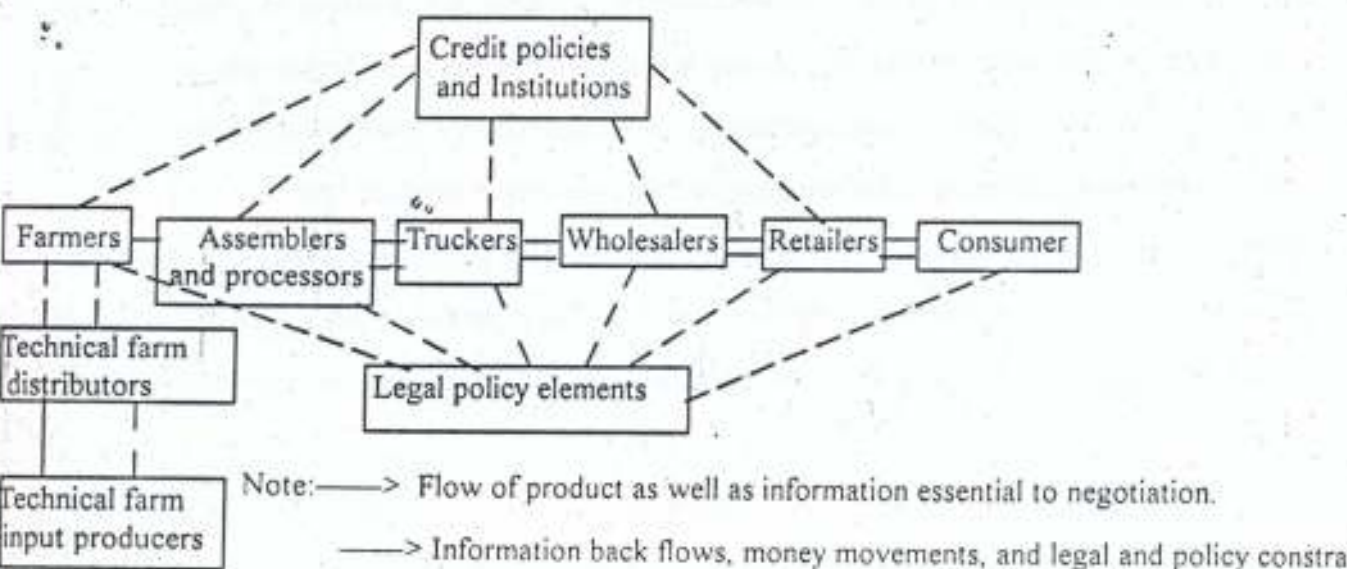


FIG 2: The Principal Components in a Diagnostic Study of Agricultural Production and Distribution System.

Source: Harrison, 1985 p. 45

1.6 ONDO AND EKITI STATES FOOD CROPS' MARKETERS AND CREDIT NEEDS

Credit role in the transformation of traditional agriculture has been amplified by many researchers (Olufokunbi, 1981). In many of these cases, however, the institution mentioned or implied as needing the credit is the producer. Except for few works, (Abbott, 1962; Abbott and Markehan (1979) Onakomaiya; N.D.; Neumark, 1959; Shah and Shukla, 1956 Olufokunbi, 1981) advocacy of credit for marketers has often been neglected, notwithstanding the fact that in less developed countries, between 30 and 60 percent of the consumer spending on agricultural food crops has been estimated to go to marketers (Aderibigbe, 1981; Akinboro, 1981; FAO 1972).

If such a distribution reflects the costs of production and marketing, and the functions on which those costs are incurred, it would seem logical to state that failing to advocate credit needs for agricultural food crops' marketers in Ondo and Ekiti States is, at the least, an unfair oversight. On the other hand, however, before any advocacy could be made, credit need and insufficiency of existing facilities ought to be empirically investigated.

Agricultural credit contributes to the improvement of net income of a food marketing business by helping to create an adequate size, increase efficiency, adjust to changing technology and prices, meet seasonal fluctuations in income and expenses, protect the market from adverse conditions through maintenance of a credit reserve and provide business continuity (Olufokunbi, 1981).

In determining the credit worthiness of a food crop marketer, the lender is interested in risk-bearing ability, returns, and repayment capacity of the market business as well as the character of the marketer. To have a good working relationship with a lender, a marketer should maintain integrity in business dealings and provide documentation of ability to use the funds efficiently and to repay the loan.

Credit is also essential in marketing of agricultural products. Discussing the relevance of credit at all stages of marketing, Abbott and Makeham (1979) observed that:

- (a) Producers need credit prior to and after production to meet the costs of seeds, fertilizers and pesticides' procurements and for storing part of his or her crop until prices improve or until when needed.
- (b) Credit is needed in financing the provision of warehouses, storage facilities, transportation and equipment. This is especially important for handlers of perishable products such as vegetables and fruits which may have to be specially transported and stored until when needed.
- (c) Middlemen need credit to purchase crops from producers before reselling either to middlemen or to consumers.

d) 1.7 SOURCES OF CREDIT TO FOOD CROPS' MARKETERS

Olufokunbi (1981), identified money lenders and friends and relations as the two sources of credit used by the marketers for obtaining their establishment capital. These finding revealed that the Commercial Banks have not been a direct suppliers of establishment capital credit to food crops' marketers as indicated in Table 2.

It also reveals that money lenders play a role in getting marketers established in their trade. Friends and relations being suppliers of establishment capital credit confirm some aspects of the useful role of the African culture in trade that many workers including Hunter (1962), Dorjahn (1968), Lewis (1967), Christensen (1961), Miracle (1958), Chisiza (1966), Kamarch, (1966) have indicated. Table 3 contains the distribution of food crops' marketers by their sources of credit for use as working capital. In this situation, more sources now supply credit.

Furthermore, strictly on the basis of use, loan is classified (according to Miller, 1977)

- as;
- a. Production loans - embracing short and medium term loans.
 - b. Real estate or long term loans - covering only long term loans.
 - c. Product marketing - for financing the processing and marketing of produce.

Firms Locations	Money Lenders		Personal Saving		Esusu		Trade Association		Commercial Banks		Friends and Relations		Government Corporation *		Purchased On Credit	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1. Orange wholesalers, Ibadan	33	50	-	-	-	-	-	-	-	-	66	100	-	-	-	-
2. Beef Retailer, Ibe-Ife	8	20	-	-	-	-	-	-	-	-	32	80	-	-	-	-
3. Gari Retailers, Ibe-Ife	24	30	-	-	-	-	-	-	-	-	70	88	-	-	-	-
4. Yam wholesalers, Ibe-Ife	2	10	-	-	-	-	-	-	-	-	15	68	-	-	-	-
5. Gari wholesalers, Ibe-Ife	6	19	-	-	-	-	-	-	-	-	26	81	-	-	-	-
6. Yam Retailers, Ibe-Ife	22	81	-	-	-	-	-	-	-	-	24	90	-	-	-	-
7. Gari wholesalers, Abeokuta	25	100	-	-	-	-	-	-	-	-	25	100	-	-	-	-
8. Rice wholesalers, Abeokuta	24	80	-	-	-	-	-	-	-	-	23	77	-	-	-	-
9. Beans wholesalers, Abeokuta	20	59	-	-	-	-	-	-	-	-	27	79	-	-	-	-
10. Elubo wholesalers, Abeokuta	9	50	-	-	-	-	-	-	-	-	14	78	-	-	-	-
11. Corn wholesalers, Abeokuta	10	31	-	-	-	-	-	-	-	-	27	84	-	-	-	-
12. Rice wholesalers, Ibe-Ife	3	11	-	-	-	-	-	-	-	-	22	82	-	-	-	-
13. Melon wholesalers, Ilesa	12	40	-	-	-	-	-	-	-	-	27	90	-	-	-	-
14. Rice wholesalers, Ede	24	80	-	-	-	-	-	-	-	-	30	100	-	-	-	-
15. Beans wholesalers, Ondo	32	91	-	-	-	-	-	-	-	-	35	100	-	-	-	-
16. Elubo wholesalers, Onitsha	10	50	-	-	-	-	-	-	-	-	18	90	-	-	-	-
17. Elubo wholesalers, Akaran	15	100	-	-	-	-	-	-	-	-	14	93	-	-	-	-
18. Elubo wholesalers, Ojoo	13	93	-	-	-	-	-	-	-	-	13	93	-	-	-	-
19. Elubo wholesalers, Omi-Adio	12	100	-	-	-	-	-	-	-	-	10	83	-	-	-	-
20. Rice wholesalers, Lagos	420	100	-	-	-	-	-	-	-	-	340	81	-	-	-	-
TOTAL	724	72	-	-	-	-	-	-	-	-	458	65	-	-	-	-

Source: Odufokunbi (1981).

Table 2 : SOURCES OF ESTABLISHMENT CAPITAL CREDIT TO MARKETERS IN SOUTHWESTERN NIGERIA, 1981

Firms Locations	Total No. Interviewed	Personal Savings		Esusu ¹		Loans from Friends and Relations		Trade Associate		Commercial Banks		Money Lenders		Government Credit Association		Purchased On Credit	
		No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
1. Orange wholesalers, Ibadan	66	66	100	30	45	40	60.00	10	15.15	-	-	-	-	-	-	5	7.58
2. Beef Retailer, Ibe-Ife	40	40	100	14	35.00	-	-	-	-	-	-	-	-	-	-	-	-
3. Gari Retailers, Ibe-Ife	80	64	80.00	2	2.50	-	-	-	-	-	-	-	-	-	-	37	46.25
4. Yam wholesalers, Ibe-Ife	22	20	91.00	2	9.10	6	27.50	-	-	-	-	-	-	-	-	-	-
5. Gari wholesalers, Ibe-Ife	32	32	100.00	1	3.10	26	81.25	-	-	-	-	-	-	-	-	3	10.00
6. Yam Retailers, Ibe-Ife	27	18	67.00	-	-	-	-	-	-	-	-	-	-	-	-	-	-
7. Gari wholesalers, Abeokuta	25	18	72.00	6	24.00	-	-	-	-	-	-	-	-	-	-	4	16.29
8. Rice wholesalers, Abeokuta	30	9	29.00	9	29.00	-	-	-	-	1	3.30	3	10.00	-	-	4	13.33
9. Beans wholesalers, Abeokuta	34	10	29.40	10	29.40	-	-	-	-	-	-	2	5.90	-	-	8	23.53
10. Elubo wholesalers, Abeokuta	18	6	33.00	2	11.00	-	-	-	-	-	-	1	5.56	-	-	2	11.00
11. Corn wholesalers, Abeokuta	32	3	9.30	5	15.63	-	-	-	-	-	-	1	3.13	-	-	6	18.75
12. Rice wholesalers, Ibe-Ife	27	8	30.00	14	52.00	4	15.00	-	-	-	-	-	-	-	-	1	3.70
13. Melon wholesalers, Ilesa	30	6	20.00	14	47.00	3	10.00	-	-	-	-	-	-	-	-	6	20.00
14. Rice wholesalers, Ede	30	12	40.00	11	37.00	2	7.00	-	-	-	-	-	-	-	-	5	17.00
15. Beans wholesalers, Ondo	35	7	20.00	14	40.00	7	20.00	-	-	-	-	-	-	-	-	5	14.00
16. Elubo wholesalers, Onitsha	20	11	55.00	19	95.00	6	30.00	2	10.00	-	-	-	-	-	-	-	-
17. Elubo wholesalers, Akaran	15	4	27.00	15	100.00	5	33.30	-	-	-	-	-	-	-	-	-	-
18. Elubo wholesalers, Ojoo	14	4	29.00	14	100.00	4	29.00	-	-	-	-	-	-	-	-	-	-
19. Elubo wholesalers, Omi-Adio	12	3	25.00	12	100.00	3	25.00	-	-	-	-	-	-	-	-	-	-
20. Rice wholesalers, Lagos ²	420	306	72.86	420	100.00	149	35.48	-	-	-	-	28	6.70	42	10	-	-
TOTAL	1,009	647	64.12	614	60.85	255	25.27	12	1.19	1	0.1	35	3.47	42	4.16	86	8.52

Source: Odufokunbi (1981)

¹ Esusu is a form of personal savings whereby an information group of persons contributes money regularly into a common purse.

² The markets were Mushin, Awolowo, Tejuosho, Sabo, Oyingbo, Sand Grouse, Jankara and Iddo.

TABLE 3: SOURCE OF WORKING CAPITAL CREDIT TO MARKETERS IN SOUTHWESTERN NIGERIA, 1981

1.8 SCOPE OF THE STUDY

Respondents interviewed were mostly food crops' marketers randomly selected from Akure Local Government Area of Ondo State and Oye Local Government Area of Ekiti State . Also financial institutions in the study areas were interviewed.

1.9 JUSTIFICATION FOR THE STUDY

Credit has been identified as one of the accelerators which aid agricultural development. It is also important in financing economic, social and distribution needs of the food crops' marketers who sell the bulk of the food in the country. This justifies the need to examine the problems encountered by the food crops' marketers in the use of credit and the extent to which it can help in improving food market business.

Production can only be completed when it reaches the final consumer of the goods or service produced. Thus, the link between the producer and consumer of the food crops is justified and worthy to be considered. There is the need to provide more facilities for distribution, storage, transportation and marketing of agricultural goods, for the significant aspects of any expansion in output of goods is the ability to get such goods to the consumers.

Finally, it is expected that Ondo and Ekiti States Food Crops' Marketers will soon have cause to smile judging from the government's commitment to address the problem of financing food marketing.

1.10 OBJECTIVES OF THE STUDY

The overall objective of this study is to examine and assess the effect of credit availability and utilization in food marketing among food crops' marketers in Akure Local Government Area of Ondo State and Oye Local Government Area of Ekiti State.

THE SPECIFIC OBJECTIVES INCLUDE:

- i. To identify the source(s) of Credit to food crops' marketers in the study area;
- ii. To investigate the financial problems confronting food crops' marketers in the study area;
- iii. To estimate the credit need of these marketers;
- iv. To determine the effect of credit utilization on the food crops marketers' income.

1.11 RESEARCH LIMITATIONS

There was the problem of giving different measures for the food commodities bought and re-sold by the food crops marketers. However, the problem was resolved by converting all measures to the kilogramme (kg) equivalent.

For the fact that food crops' marketers kept no accurate records of their economic activities, response to questions was therefore based on memory recalls and approximations. Memory recall lapses occurred while gathering information from the marketers. It was difficult to get information from some of them for different reasons such as marketers not seeing the immediate benefit of the study to them, fear of taxation, inadequate or no record keeping.

1.12 ORGANISATION OF THE STUDY

This study is divided into five chapters. Chapter one provides a general introduction to the study and stating its objectives. Chapter two is an indepth review of literature focusing on financing food crops marketing in the Nigerian economy. Chapter three presents the methodology of the study as it pertains to the design, administration and analysis of questionnaires. Chapter four presents findings from the study and the discussion which follows sequentially. Lastly, chapter five is the conclusion and presents recommendations that arise from the study.

CHAPTER TWO



2.0 BACKGROUND AND REVIEW OF LITERATURE

2.1 CREDIT, MARKETS AND MARKETING

2.1.1 CONCEPTS AND MEANING OF CREDIT

The word "Credit" is derived from the latin word "Credo" meaning I "believe". Famoriyo and Igben (1985), interpreted "Credo" to mean a belief by the lender in the ability and willingness of the borrower to fulfil his financial obligations; "such credit or loanable fund allows the purchasing of commodities or services in the present based on a promise by the borrower to pay for them in the future".

Singh (1976), asserted that credit is the power to obtain goods or services by giving a promise to pay the money (or goods) on demand or at a specified date in future. Jacques (1975), in the conception of credit as an actuality is illustrated by the definition; "Credit is the present right to a future payment". From Jacque's view, credit is regarded as the possession of power which may or may not have been utilised while Singh affirmed that credit has become debt through the exercise of power.

Nwosu *et al* (1977), defined credit to be a measure of ability of an individual or business enterprise or government authority to obtain present values (money, goods or services) while deferring payment usually in the form of money, to a definite future time with an amount for the cost of credit used (Interest).

Credit also means the acquisition of and control over funds, at a cost, for a specified period after which the crucial lease and the funds revert to the creditor (Famoriyo and Imoudu, 1988). In support of this, Osuntogun (1973), viewed agricultural credit to be the "sum total of the arrangements through which cash and inputs are made available to a farmer or purchaser who repays such inputs in the form stated in the repayment schedule with due interest". To Albert (1960), "Credit or loanable fund permits the purchasing of services, money or goods in the present, based upon promise to pay for them at sometime in the future.... provides a means for the temporary transfer of assets or the use of such assets from a man or organisation who has them, to a man or organisation that has not".

For the purpose of this study, agricultural credit shall be taken to mean "the temporary transfer of inputs in form of money, goods and services, to a willing borrower for agricultural purposes with the borrower's potentiality, willingness and promise to repay in a particular form after use, and confidence by the lender that the borrower will comply with the terms of utilisation and repayment with or without monitoring" (Ewuola, 1980).

2.1.2 ROLE OF CREDIT INSTITUTIONS

Credit institutions were created to reduce the existing credit gap in agriculture and to find a means of making credit available to agricultural food crops marketers. These institutions played a great role in loan advancement and disbursement to marketers.

There are two categories of credit institution viz,

- a. The informal credit institution (non-institutional)
- b. The formal credit institution (institutional)

The informal credit institution (see figure 3) consists of friends, family members and relatives, private agencies like co-operatives, produce buyers, traders and traditional money lenders. Loans are obtained without any complicated loan procedures or delays and no collateral securities are needed. The needs of agricultural food crops marketers are mostly met by informal sources. Miller (1977) in his investigation revealed that money lenders charged about 90 percent or more as interest rate.

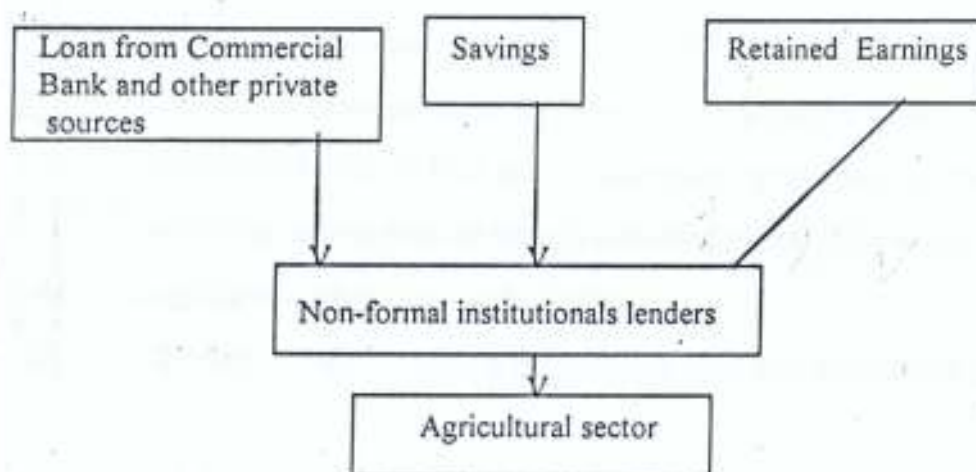


Figure 3: Flow of non-formal institutional fund to agriculture.

Source: Famoriyo and Imoudu (1988).

The formal credit institution (figure 4). Is an institutionalised form of credit institution, which has legal existence. This means, it can sue or be sued in a law court. From the formal sources, enough loan is sometimes given to run the marketing business and at a relatively low interest rate compared to traditional lenders.

Formal institutions include, among others, banking Institutions consisting of Commercial Banks and Merchant Banks, the public sector like the Nigerian Agricultural and Co-operative Bank (NACB), the Agricultural Credit Guarantee Scheme Fund (ACGSF), the State Agricultural Agencies which are wholly involved in agricultural Credit operations (Miller, 1977).

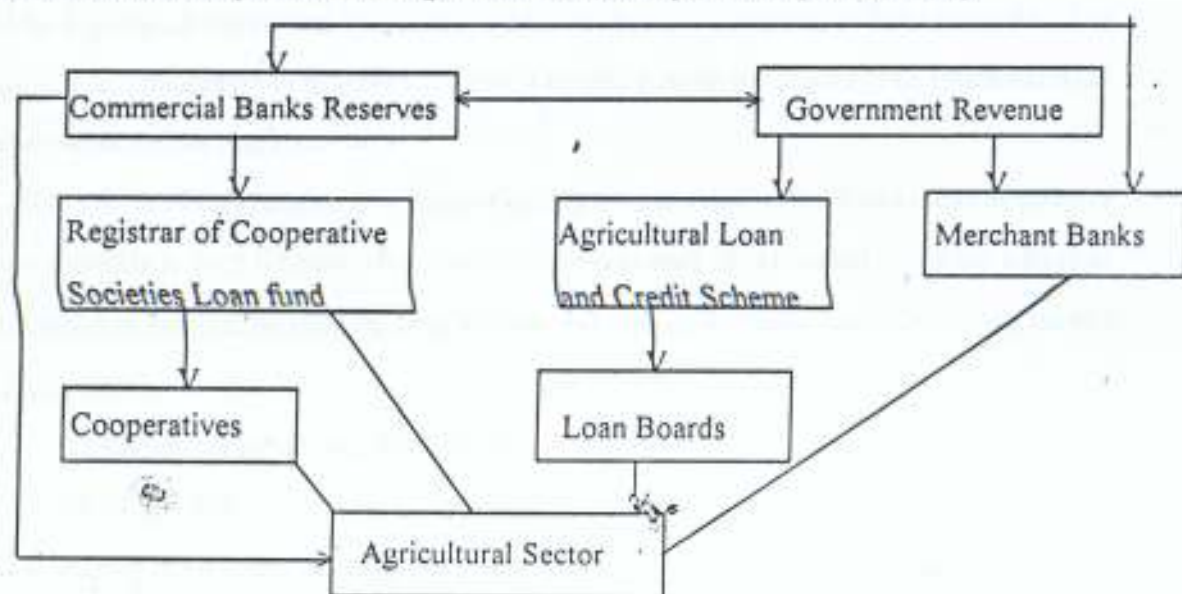


Figure 4: Flow of formal Institutional Agricultural Credit

Source: Famoriyo and Imoudu (1988).

The apex of financial institution in Nigeria is the Central Bank of Nigeria (CBN), established by Act in 1958 and on resumption of operation in 1959, charged with exercising control over the country's banking system in form of:

- a. Legislative control - issuance of notes
- b. Monetary control - regulate the quantity, price and direction of money and credit in the country.

c. Direct control - specify laws, policies and analysis.

The role of "CBN" in the field of agriculture has been to channel credit to that sector through the monetary policy guidelines it issues to banks from time to time.

Explaining some of the causal factors responsible for the poor performance of the institutional credit in Nigeria, Ogunfowora (1972) observed that such factors as insufficient funds, ineffective supervision, political interference, cumbersome and time consuming loan processing procedures and inadequate or complete absence of financial projections and planning are responsible.

Another credit source which is a popular informal source to the Nigerian food crops' marketers has been the traditional 'Esusu' credit institution. It is an arrangement in which fund is created by a group of individuals who make fixed contributions of money at fixed intervals. The total amount contributed by all members at a time is handed over to each member on rotational basis until every member has had his or hers.

It is a form of Cooperative arrangement among the individual members to make large sums of money available to each member whenever he or she is in need. It is thus not a club but a form of credit institution designed to provide lump sums at short notice for individuals who subscribe to it (Famoriyo, 1971).

2.2 MARKETS AND MARKETING

MARKETS:

A market is an arena for organising and facilitating business activities and for answering basic economic questions; what to produce? How much to produce? How to produce? and how to distribute production? A Market may be defined by;

- i. a location (for example, the Oba (Erekesan market),
- ii. a product (for example, the grain market);
- iii. time (for example, the May soybean market); and
- iv. a level (for example, the retail food market)

The choice of market definition depends on the problem to be analysed (Kohls and Uhls, 1967).

Markets are found everywhere in Nigeria. Nigerian markets are important exchange points and goods are constantly moved from one market to another. Depending on the way market is used, the term "Market" has several meanings. The American marketing Association through its definition committee, suggests the following (1960):

- (a) the aggregate of forces or conditions within which buyers and sellers make decisions that result in the transfer of goods and services.
- (b) the aggregate demand of the potential buyer of a commodity or service.
- (c) the place or area in which buyers and sellers function.
- (d) market as a verb, means to perform business activities which direct the flow of goods and services from producer to consumer or user.

According to the first definition, markets are made up of people who buy and sell. The second definition highlights the notion that the market for a product also represents the sense that a market is a place where goods change hands; and the fourth defining market as an activity.

John Hopkins (1961) defined market as existing whenever buyers and sellers can be in touch with one another for negotiations. They need not necessarily meet or see face to face before transacting a market (Olayemi, 1974).

The most important factors for the existence of market are that;

- i. the goods to be sold must exist;
- ii. there must be buyers and sellers; and
- iii. both must agree on a price.

However, in day-to-day usage, market refers to places where people gather to buy and sell. Here, some places are selected as markets and marketing is done at regular intervals depending on agreed frequency. It varies from daily marketing at Urban places like Lagos, Ibadan, Akure etc, to about four or five or eight or nine days in rural areas like Owena, Ijare, Ogbese etc. For instance, marketing is done daily at Dugbe market in Ibadan while it is done every five days at Owena market.

In these types of markets however, every conceivable commodity both agricultural and industrial, is sold and in most cases, prices are determined by traditional 'haggling' method.

From the foregoing, we can distinguish between two major categories of market;

a. Organised market: This is of two types:

i Internal and International trade-these are formal trading which are bound by legal procedures and usually involving legal documents.

ii Super markets where prices are fixed and not negotiable e.g Kingsway or Leventis Stores and some other small supermarkets all over Nigeria.

b. Unorganised market: Here, prices are determined by haggling. It includes, on the farm, farm gate, and off the farm trading of agricultural products.

The unorganised form of market is the most common in Nigeria and of course, in most developing nations of the world (FAO, 1962)

For this type of market organisation, four points of possible contact for carrying out marketing functions were named by Adegeye and Dittoh (1985) These are;

1. Produce consumer markets
2. Local assembly markets,
3. Central wholesale markets, and
4. Retail markets

MARKETING

Agricultural marketing is often regarded by observers as having a certain associated technique. The definition of marketing which is most applicable to Agriculture is given by Kohls (1968). Marketing is the performance of all business activities involved in the flow of goods and services from the point of initial agricultural production until they are in the hands of ultimate consumer.'

According to Rodger, 1971; Marketing is the primary management function, which organises and directs the aggregate of business activities involved in converting consumer purchasing power into effective demand for a specific product or service and in moving the product or service

to the final consumer or user so as to achieve the company's set profit or other objectives (Baker, 1981).

Moreover, the four P's of marketing can be formulated thus; Creating a PRODUCT that will meet consumer needs; getting it to a PLACE where consumers can conveniently buy it; PROMOTING the product through advertising, personal selling and other means; and putting the right PRICE on the product.

Therefore, " Marketing is the business process by which products are matched with markets and through which transfers of ownership are made " (Candiff & Still, 1964). Marketing functions broadly defined, is the process of anticipating society's needs and producing and distributing goods and services to satisfy these needs.

Kohls and Downey (1976), Mortenson (1978) and Shepherd *et al* (1979) all seem to agree on the definition of marketing as being the provision of services to a product as it moves from the producer to the consumer and involving the creation of utilities now called "the theory of consumer behaviour", (Mortenson, 1978). These utilities (according to Imoudu, 1980) consist of four forms;

- a. Form Utility - changing the form of a product to satisfy consumer behaviour.
- b. Time Utility-involves storage; attempts to satisfy demand at a given time.
- c. Place Utility - changes of place; this involves moving the product from the primary producer to the final consumer.
- d. Possession Utility- changing ownership; here the product changes hands - producers → middlemen → wholesalers → retailers → consumers.

All four forms are interrelated in an attempt to meet consumer behaviour.

Thus, marketing is important to the producer in terms of returns; to the distributor in terms of profit; to the processor, also in terms of profit; and finally to the consumer in terms of maximising satisfaction from expenditure income. Marketing is also important in the sense that it represents one of the few fields of enterprises that are effectively opened to the individual with limited amount of investment capital. On the whole marketing may lead to economic development in any one time period because of its effects on output. Increase in output caused by the presence of a market, may lead to increase in foreign exchange. Some of the processes involved in marketing rest on specialisation which can be institutional or regional (Imoudu, 1980).

Because marketing activities represent those human activities which are directed towards the satisfaction of a felt demand for goods and services, there are three dimensions of marketing - economic, managerial and societal (Imoudu, 1980).

- i. Economic Dimension: This is the process through which the means of production (land, labour, capital, knowledge) are directed towards alternative uses. These alternative uses are extractive activities, manufacturing, distributive activities (wholesaling, retailing, and transportation), consumption activities (goods from retailers to consumers).

- ii. **Managerial Dimension** - This deals with the purposeful management of products and services in pricing, promotional and distributive activities. This involves type of management, servicing and promotion of the business, according to the perceived preferences of markets or some market segment in a manner calculated to achieve the objectives of the business.
- iii. **Societal Dimension**- Marketing also has an important societal dimension. Marketing activity leads to the creation of new products; marketing activities promote new ideas to the society which is being served; and marketing activity involves an important persuasive role in the formation of public opinion. Therefore, marketing is unavoidably a social concern. Prices influence the purchasing power of the incomes earned; distribution of goods and services, also influences buying convenience. Thus, marketing plays a key role in stabilizing prices, without discontinuous intra or inter seasonal changes, at a profitable level and ensuring that growing urban demand, stable prices and differentials, for quality at the processing and consuming levels are actually reflected in profit incentives (Imoudu, 1992).

2.3 FINANCING FOOD CROPS MARKETING IN ONDO AND EKITI STATES

Food crops marketers' participation in the marketing of foodstuffs has brought further development to marketing. According to Abbott and Makeham, (1990), "Marketing means to the house wife as the ways of shopping for food items, while to the farmer it means the sales of his produce, to the fertilizer distributor it means selling to the farmer, while the economist states that marketing practices include all those business activities associated with the flow of goods and services, started from production and ended at the consumption stage".

The ultimate objective of internal food trade should be to transfer food surpluses from producing areas to consuming centres when they are needed. It is the food marketing system that helps to create the time, form, place and possession utility.

The markets for the locally consumed foodstuffs in Nigeria are highly localised in nature. They are specific sites where buyers and sellers meet and the exchange of goods take place. It is not just the impersonal forces of supply and demand that come into contact with each other, instead

buyers and sellers enter into personal, face to face, relationship with each other. According to Johnson (1966) "they resemble a fair more than a market. They exhibit milling throngs of people, stacks of produce on the ground or in stalls, live animals for sale, bicycles, package splitting and subdivision of commodity lots, lack of standards and grades, lack of proper sanitation, one day credit sales, prolonged haggling and bargaining and the continuous coming and going traffic".

The markets can be classified as either urban or rural. The location of rural markets does not always coincide with the sites of villages. It is very often the case that a rural market is situated at a road junction, along a motorable road, or near a village.

Hodder (1992) has given three main reasons for this lack of correspondence between the sites of rural markets and those of villages. The first explanation lies in the period of insecurity and tribal war which characterised Yorubaland until late in the nineteenth century. During this period, the mutual need for the exchange of goods made it necessary that markets should be held on neutral grounds between warring factions. Such neutral ground was unlikely to be within a settlement. Secondly, there was the long distance trade which was a feature of the Yoruba country long before the arrival of the Europeans. This long distance trade required the establishment of resting places where hospitality could be offered to passing traders. If such a resting place became popular, a market place into which farmers brought their wares for sale soon sprang up'. The third reason is accessibility. According to Hodder 1992, 'the location of the village and town settlement depends on much wider considerations than does the location of a market, which is determined by convenience of access from all settlements'.

Women predominate in foodstuff marketing. This is especially true of rural markets where men usually constitute less than 5 percent of the traders (Adeyokunnu, 1970). In the Urban markets, although women outnumber men and dominate the retail trade, men tend to feature prominently at the wholesale level.

The main explanation which is often given for the predominance of women in trading is that during the tribal war of the 19th Century, it was unsafe for men to move about, while women, on the other hand, were fairly safe to trade on neutral grounds between the warring factions (Hodder and Ukwu, 1969).

There are at least four services or facilities which, if not supplied adequately, can reduce the performance of the marketing system, as well as inhibit the free flow of goods within the country.

Those services and facilities include: market information, commodity standardization, handling and packaging and credit facilities. (Onakomaiya, 1975)

An efficient flow of information within the marketing system is necessary to enable entrepreneurs to adjust to differences in supply and demand, and hence assist them to control the transport and other facilities required for such adjustment (Onakomaiya, 1975). Adequate market information is also essential in an environment dominated by small scale entrepreneurship (Anthonio 1971). This becomes important when it is known that both the food production and marketing systems in Nigeria are controlled largely by small scale operations.

The absence of grades and standards for food items throughout the country is perhaps an important factor behind the inability to compile adequate market information. Personal contact is prevalent because of lack of consistent weights and measures and this results in loss of time and resources.

On account of low technological development, handling and packaging of food items are unsatisfactory resulting in substantial losses and reduction in market supply. An associated problem is the lack of processing facilities which also result in loss of supply and deterioration in quality.

The availability of credit facilities is essential in providing and maintaining market services and facilities, especially where there is inadequate capital. Most studies on the food marketing system in Nigeria have found that the credit facilities at the disposal of food traders are inadequate and unreliable (Thodey, 1969 and Onakomaiya, 1975).

Agricultural marketing includes all activities that are involved in transforming, storing, and transporting agricultural products to the domestic consumer or foreign buyer, Figure 5 illustrates a typical structure of domestic food markets based on three networks; ownership and form, transport, and storage (Elz, 1985).

EXTERNAL FACTORS

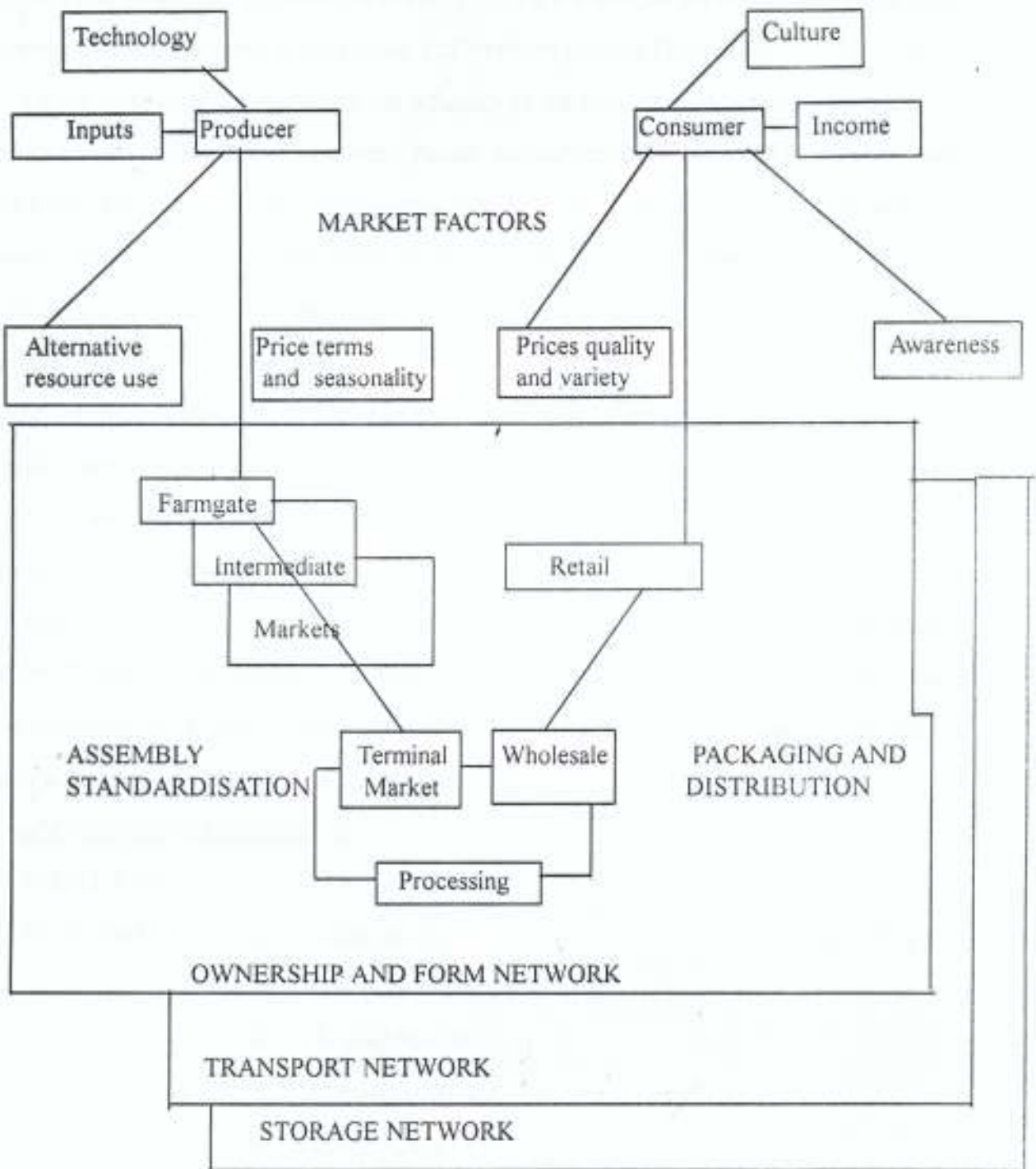


Figure 5: Typical structure of Domestic Food Markets.

Source; Brown (1984), p.2.

CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 PROJECT AREA

Akure and Oye Local Government Areas (LGAs) were selected for this study. These Local Government Areas are located in the Central and Northern parts of Ondo and Ekiti States respectively. Akure represents an area where the influence of the Ondo State Capital is more felt with institutional credit facilities like Commercial Banks, Agricultural Bank, People's Bank, State Agricultural Credit Institutions, Back -to-Land programme, National Directorate of Employment and Community Bank. Oye on the other hand, has fewer Agricultural Credit Institutions.

These are very representative of the extremes of linking agricultural credit with food crops marketing situation in the states.

Akure LGA represents the forest vegetation while Oye LGA represents the derived Savannah areas of the States. Akure LGA is noted for the production of tree crops like cocoa while Oye Local Government Area produces more of rice. However, other food crops like yams, cassava, maize, vegetables etc, are common to both areas.

The products marketed in those two Local Government Areas (Akure and Oye) include Gari, Yam, Rice, "Elubo", Beans, Melon, Corn, Fish, Oranges and Vegetables, these are the major staple foods in Ondo and Ekiti States. Below are the names of Markets and Towns identified during the course of study;

NAME OF MARKETS/TOWNS

AKURE LGA (Ondo State)	1.	N E P A Market
	2.	Isikan Market
	3.	Oba (Erekesan) Market
	4.	Adedeji Market
	5.	Orita Igun Market
	6.	Sabo Market
	7.	Mojere Market
	8.	Araromi Market
	9.	Ogbese Market
	10.	Iloro Market

- | | |
|--------------------------|--|
| OYE LGA
(Ekiti State) | <ol style="list-style-type: none"> 1. Oba Iye Market (Ire-Ekiti) 2. Oba Iye Market (Oye-Ekiti) 3. Ilupeju Market 4. Ayegbaju Market 5. Aba Ibirá Market 6. Igbimo Market 7. Ifaki Market 8. Ayede-Ekiti Market |
|--------------------------|--|



Source Survey Data, 1994.

In this study also, the following Food Crops' Marketing Association were indentified in the Local Government Areas sampled.

NAME OF FOOD CROPS MARKETING ASSOCIATIONS IN THE STUDY AREA

- | | |
|---------------------------|--|
| AKURE LGA
(ONDO STATE) | <ol style="list-style-type: none"> 1. Owolowo Food Sellers Association 2. Akure Yam Flour Association 3. Ifelodun Butchers Association 4. Akure Foodstuff Union 5. Live and Let Live Rice Association 6. United Food Sellers Association 7. Ejalonibu Sellers Association (Fish Sellers) 8. Orange Sellers Association 9. Rice Line Association 10. Anisolewa Butchers Association 11. Iyaloja Food Sellers Association |
|---------------------------|--|

- | | |
|--------------------------|--|
| OYE LGA
(EKITI STATE) | <ol style="list-style-type: none"> 1. Arijelabooja Foodsellers Association 2. Oye Beans Sellers Association 3. Oredogbe Food Sellers Association 4. Owolowo Food Sellers Association 5. Oye Yam Seller Association 6. Binukonu Yam Sellers Association |
|--------------------------|--|

7. Ilupeju Fish Sellers Association
8. Ire Gari Sellers Association
9. Ifelodun Butchers Association
10. Iyalaja Food Sellers Association
11. Orange Sellers Association

Source: Survey Data, 1994.

3.2 DATA COLLECTION

Primary and Secondary data were collected for the study from the Food Crops' Marketers and Financial Institutions and Ondo State Agricultural Credit Corporation (ODSACC) headquarters at Akure. For the primary data a total of 152 questionnaires were successfully administered. And they were divided into two parts. The first part consisted of 130 questionnaires completed by the Food Crops' Marketers while the second part consisted of 22 questionnaires and furnished with information by the Financial Institutions.

The data collected provided information on the following:

1. Socio-economic characteristics of food crops' marketers;
2. The most profitable source(s) of agricultural credit to food crops marketing;
3. Financial problems confronting food crops' marketers;
4. Credit needs of the marketers and
5. Effect of credit utilisation on food crops' marketers income.

The structured questionnaires were pre-tested for the purpose of checking their validity and reliability and also to create room for modification of some ambiguous questions.

3.3 SAMPLING PROCEDURE

The study was carried out in most of the towns and markets of the local government areas. Food Crops' Marketers were randomly selected in the project area. Random sampling technique was used for the selection of the total sample size of 152. Out of the 152 questionnaires administered, a total of 151 were finally recovered after completion. A breakdown by local government areas is given in Table 4 below.

Table 4: SAMPLING PROCEDURE

(a)	LGAS	Number of copies of Questionnaire for Food Crops' Marketers
Completed		
	Akure	- 65
	Oye	- 65
	Total	- 130
(b)	LGAS	Number of copies of Questionnaire for Financial Institutions
Completed		
	Akure	- 14
	Oye	- 7
	Total	- 21

SOURCE : Survey Data, 1994

3.4 MEASUREMENT OF VARIABLES

Variables measured included both dependent and independent variables. The dependent variables included the contribution of credit used to the Gross Income from market sales, while the independent variables included those factors that affect the dependent variables such as family size, amount of loan for marketing purpose (₦), etc.

3.5 ANALYTICAL TECHNIQUE

Statistical analysis were carried out with data collected as stated under procedure in line with the objectives of the study. These were as follows.

1. Descriptive statistics like frequencies and percentages
2. The use of paired T-test to test whether there were significant differences in agricultural food crops marketing with and without credit.
3. Multiple regression was done with market sales Gross Income as dependent variable (Y) and 4 other independent (regressors) variables $x_1 - x_4$. The technique is designed to analyse the contribution of independent variables to the dependent variable.

6 MODEL SPECIFICATION

Four production functions were used viz; Linear, Semi-log, Cobb-Douglas (double-log) and Exponential functions. This was done in an attempt to pick the function that gave the best fit using the ordinary least square estimation method.

$$y = f(X_1, X_2, X_3, X_4, E)$$

Where

y = Gross income from market sales (₦)

x_1 = Family size

x_2 = Amount of loan for marketing purpose (₦)

x_3 = Cost of purchased items (foods) (₦)

x_4 = Cost of handling goods before sales (₦)

E = Error term

The estimated functional forms were:

(a) Linear function:

$$Y = b_0 + b_1 x_1 + b_2 x_2 + b_3 x_3 + b_4 x_4 + E$$

(b) Semi-log function

$$Y = b_0 \log x_0 + b_1 \log x_1 + b_2 \log x_2 + b_3 \log x_3 + b_4 \log x_4 + E$$

(c) Cobb Douglas (Double -log) function

$$\log Y = b_0 \log x_0 + b_1 \log x_1 + b_2 \log x_2 + b_3 \log x_3 + b_4 \log x_4 + E$$

(d) Exponential function

$$\log Y = b_0 \log x_0 + b_1 \log x_1 + b_2 \log x_2 + b_3 \log x_3 + b_4 \log x_4 + E$$

where b_0 is a constant term, E is the error term and $b_1 - b_4$ are the parameters to be estimated.

7 CRITERIA USED IN CHOOSING THE LEAD EQUATION

Following are the criteria used to determine the degree of fitness to ease the selection of the lead equation.

- i. The goodness of fit called for the magnitude of multiple determination R^2 with special reference to adjusted R^2 (R^2), since R^2 attempts to correct the optimistic bias of the sample R^2 and is uninfluenced by the number of the regressors.
- ii. The appropriateness of the sign of the regression coefficient.

- iii. With regard to the magnitude of standard error (SE) and the sum of squares of error (SSE), the equation with the low values for these are preferred.
- iv. The statistical significance of the regression coefficient as determined by the t-values
- v. The F-test provides an overall test of significance of the regression equation.

However, the model expects a prior regression coefficient to be positive for amount of loan for marketing purpose while the rest of the variables could be positive or negative.

CHAPTER FOUR

4.0 EMPIRICAL RESULTS AND DISCUSSION

4.1 SOCIO-ECONOMIC CHARACTERISTICS OF THE FOOD CROPS' MARKETERS

4.1.1 Age Structure of the Food Crops Marketers

Age of respondents ranged from 18 to 80 years and had a mean of 39.3 years (Table 5), Food Crops' Marketers 10 to 30 years of age constituted 20.77% of the members interviewed.

Food Crops' Marketers between ages of 31 and 40 years accounted for 36.92% of total, while those between 41-50 years, 51-60 years and 61-70 years accounted for 24.62%, 10.77% and 6.15% respectively. Only one marketer was above 70 years of age.

The finding below shows that marketers between the age of 31 and 40 years form the majority among the food crops marketers interviewed. The aged people were not actively involved in the food crops marketing business.

TABLE 5: AGE STRUCTURE OF THE FOOD CROPS' MARKETERS (N = 130)

Age (Years)	Frequency	Percentage	Cummulative %
Up to 30	27	20.77	20.77
31 - 40	48	36.92	57.69
41 - 50	32	24.62	82.31
51 - 60	14	10.77	93.03
61 - 70	8	6.15	99.23
Above 70	1	0.77	100.00
Total	130	100.00	

Mean = 39.3 years

Range = 18 - 80 years

SOURCE: Survey Data, 1994.

4.1.2 Family Size of Food crops' Marketers

Data obtained from the marketers regarding their family sizes range from one to thirty-two with the mean value of 6.85 indicated that 91.54% are within 1 and 10 in terms of family size.

About seven percent of the marketers had family sizes ranging from 11 to 20, while 1.54% fell within 20 and 32. It shows that these respondents have large numbers of dependants and this would lead to increased demand for consumptive items such as feeding, school fees, clothing, medical expenses etc.

TABLE 6: FOOD CROPS MARKETERS' FAMILY SIZE (N = 130)

No in the Family	Frequency	Percentage	Cummulative %
Below 5	47	36.15	36.15
6 – 10	72	55.39	91.54
11 – 15	8	6.15	97.69
16 – 20	1	0.77	98.46
Above 20	2	1.54	100.00
Total	130	100.00	

Mean= 6.85 years

Range = 1 - 32 years

SOURCE: Survey Data, 1994.

4.1.3 Sex of Respondents

Of the total, Food Crops Marketers interviewed in the two Local Government Areas (Akure and Oye) of Ondo and Ekiti States, 31.54% were male while 68.46% were female. This shows that female dominated Food Crops Marketing business in the areas of study as shown in Table 7. This result was in line with the finding of Adeyokunnu (1970) that Women predominate in foodstuff's marketing.

TABLE 7: SEX OF RESPONDENTS (N = 130)

Sex	Frequency	Percentage	Cummulative %
Male	41	31.54	31.54
Female	89	68.46	100.00
Total	130	100.00	

SOURCE: Field Survey, 1994.

4.1.4 Religion of Marketers

Data obtained from the respondents regarding their religion indicate that 68.46% of them were Christians, 23.08% were Muslims while 8.46% were Traditionalists.

The above result from Table 8 shows that only these 3 religions predominated among food crops 'marketers within the study areas.

TABLE 8: RELIGION OF RESPONDENTS (N - 130)

Religion	Frequency	Percentage	Cummulative %
Christianity	89	68.46	68.46
Islam	30	23.08	91.54
Traditional	11	8.46	100.00
Total	130	100.00	

SOURCE: Field Data, 1994.

4.1.5 Marital Status Of Respondents

The findings show that 78.46% of total were married while 10.77%, 3.85% and 6.92% were single, divorced and widowed respectively.

TABLE 9: MARITAL STATUS OF RESPONDENTS (N = 130)

Marital Status	Frequency	Percentage	Cummulative %
Married	102	78.46	78.46
Single	14	10.77	89.23
Divorce	5	3.85	93.08
Widowed	9	6.92	100.00
Total	130	100.00	

SOURCE: Field Data, 1994.

The major occupation of the respondents was marketing (food). 99.23% of people were food crops' marketers by their occupations (Table 10). They were more engaged in food crops marketing business than any other enterprises.

Farming accounted for 0.77% and none of the respondents operate as agricultural labour or craftsman.

This show that marketing was the most important occupation of the people in the study area.

TABLE 10: MAJOR OCCUPATION OF THE FOOD CROPS MARKETERS (N = 130)

Marital Status	Frequency	Percentage
Marketing (food)	129	99.23
Farming	1	0.77
Agricultural Labour	0	0.00
Craftmanship	0	0.00
Total	130	100.00

SOURCE: Field Survey, 1994.

4.1.7 Secondary Occupation

Of all the 32 respondents having secondary occupations, 0.00%, 9.38, 6.254 and 84.38% respectively were engaged in, hunting, produce buying, fishing and others as their secondary occupations.

(see Table 11).

TABLE 11: SECONDARY OCCUPATIONS OF THE MARKETERS (N = 130)

Secondary Occupation	Frequency	Percentage
Hunting	0	0.00
Produce buying	3	9.38
Fishing	2	6.25
Others	27	84.38
Total	32	100.00

SOURCE: Field Survey, 1994.

4.1.8 Marketing Experience

Years of marketing experience of the food crops' marketers ranged from 1 to 38 years with the mean value of 9.4 years. Findings from the market survey indicated that the modal class fall between 1 and 10 years with 71.54% of the total. Marketers between 11 and 40 years of marketing experience were more experienced than those below 10 years (71.54%) and account for a total of 28.48% (See Table 12).

TABLE 12: YEARS OF MARKETING EXPERIENCE

Experience (Years)	Frequency	Percentage	Cummulative %
Below 10	93	71.54	71.54
11 - 20	25	19.23	90.77
21 - 30	10	7.69	98.46
31 - 40	2	1.54	100.00
Total	130	100.00	

Mean = 9.4 Years

Range = 1- 38 years

SOURCE: Field Data, 1994.

4.1.9 Food Stuffs Marketed

Various foodstuffs as listed in Table 13 were marketed by all the marketers interviewed. The next well marketed foodstuffs include Beans (50.77%), Yam (20.77%) as well as other foodstuffs (35.38%).

It becomes obvious that the most important foodstuffs in the marketing business of the people are Beans, Rice, and Garri.

TABLE 13: FOOD STUFFS MARKETED

Food Stuff	Frequency	Percentage
Garri	41	31.54
Yam	27	20.77
Rice	56	43.08
Elubo	33	25.38
Beans	66	50.77
Melon	9	6.92
Corn-maize	10	7.69
Guinea corn	1	0.77
Beef	12	9.23
Fish	6	4.62
Oranges	7	5.38
Others	1	0.77

SOURCE: Field Survey, 1994.

4.1.10 Educational Attainment of the Respondents

The educational level among the sampled marketers included in this study area is low. 26.15% of the marketers had non-formal education. Those who attended secondary schools had the highest percentage of 38.46% formal education.

Those who attended primary schools constituted 26.92%. Those who attended University, Polytechnic as well as others were 3.85%, 3.08% and 1.54% respectively (Table 14).

The educational attainment of a food crop's marketer does not only raise his market sales but also increases his ability to understand and evaluate the marketing environment and market information.

The implications of majority of the respondents having low education is that the ability of food communication is low.

TABLE 14: EDUCATIONAL ATTAINMENT OF FOOD CROPS' MARKETERS IN THE STUDY AREA (N = 130)

Educational Attainment	Frequency	Percentage	Cummulative %
University	5	3.85	3.85
Polytechnic	4	3.08	6.93
Secondary	50	38.46	45.39
Primary	35	26.92	72.31
Non-formal	34	26.15	98.46
Others	2	1.54	100.00
Total	130	100.00	

SOURCE: Field Data, 1994.

2 SOURCES OF AGRICULTURAL CREDIT TO THE RESPONDENTS

2.1 Formal and Informal Sources of Marketing Activities

Data obtained from marketers regarding sources of credit as shown in Table 15 indicates that informal sources which comprise of Trade Association, "Esusu" credit Institution, Money lenders, Local Businessmen and Traders, Friends and Relations as well as others have the largest percentage of 66.67%, while 33.33% respondents obtained credit from formal sources such as Nigerian Agricultural and Cooperative Bank (NACB), National Directorate of Employment (NDE), Credit and

Commerce Bank, Agricultural Produce Marketing Cooperative Society, Commercial Bank, Community Bank and People Bank. However, none of the respondents obtained credit from Ondo State Agricultural Credit Corporation.

The data below show that loan was obtained mostly from informal Sources. This was probably due to increase in awareness of the advantages of informal sources for regular loan disbursement findings give credit at a high interest rate with timely disbursement and little or no collateral security requirement.

Friends and Relations being suppliers of establishment capital credit confirm some aspects of the useful role of the African culture in trade as indicated by Olufokunbi (1981).

Despite the low magnitude of credit obtainable from the non-institutional sources, coupled with the paid on such loans, the Nigerian food crops' marketers still depended largely on it because in general, they cannot afford the collateral often demanded by banks for securing loans.

The implication is that, though credit is obtained mostly from informal sources, but then, most of the respondents did not patronize the banks for credits because of high interest rate, unattainable collateral conditions, bank unwillingness to lend and lack of access to bank.

Food Crops' Marketers in the study area considered Friends and Relations, "Esusu" Credit Institutions, Money lenders, local businessmen and traders, Cooperative Society and NACB as important sources of agricultural credit because of the following reasons (as indicated by them.)

- (i) Easy access to loan,
- (ii) Low interest rate involved (except Money lenders),
- (iii) Loan processing is simple;
- (iv) No collateral security needed;
- (v) Loans given at the appropriate time; and
- (vi) Develop personal relationship

TABLE 15: SOURCES OF CREDIT FOR MARKETING ACTIVITIES (N = 130)

Sources of Credit	Frequency	Percentage
Ondo State Agricultural Credit Corporation	0	0.00
Nigerian Agricultural and Cooperative Bank (NACB)	10	5.75
National Directorate of Employment (NDE)	4	2.3
Credit and Commerce Bank	0	0.00
Agricultural Produce Marketing Cooperative Society	19	10.92
Commercial Bank	9	5.17
Community Bank	9	5.17
People's Bank	7	4.02
Trade Association	4	2.3
Esusu	57	32.76
Money lenders, Local Businessmen and Traders	17	9.77
Friends and Relations	36	20.69
Others	2	1.15

Multiple responses.

SOURCE: Field Survey, 1994.

4.2.2 Category of Marketers (Wholesalers)

27.19% of the total were Beans wholesalers while 26.32% and 17.54% were Rice and 'Elubo' wholesalers respectively. The remaining 28.95% formed Garri, Yam, Melon, Corn, Beef, Fish and Oranges wholesalers.

The findings show that Beans wholesalers, Rice wholesalers and 'Elubo' wholesalers were more predominant among the food crops' marketers interviewed in the study area (Table 16a).

TABLE 16(a): CATEGORY OF MARKETERS (WHOLESALEERS) N = 130

Category	Frequency	Percentage
Garri	7	6.14
Yam	10	8.77
Rice	30	26.32
Elubo	20	17.54
Beans	31	27.19
Melon	1	0.88
Corn	5	4.39
Beef	4	3.51
Fish	3	2.63
Oranges	3	2.63
Total	114	100.00

SOURCE: Field Data, 1994.

4.2.3 Category of Marketers (Retailers)

From the data, 25.4%, 20.63% and 19.05% of the respondents (food crops' marketers) were 'Garri', Beans, and Rice retailers respectively. The remaining 34.92% represent Yam retailers, 'Elubo' retailers, Melon retailers, Corn retailers, Beef retailers, Fish retailers and Orange retailers. (See Table 16b)

The marketers interviewed prefer selling in retails because not all the customers can afford to buy in bulk (wholesale).

TABLE 16(b): CATEGORY OF MARKETERS (RETAILERS) N = 130

Category	Frequency	Percentage%
Garri	32	25.4
Yam	11	8.73
Rice	24	19.05
Elubo	7	5.56
Beans	26	20.63
Melon	5	3.97
Corn	4	3.17
Beef	9	7.14
Fish	3	2.38
Oranges	5	3.97
Total	130	100.00

SOURCE: Field Survey, 1994.

4.3.0 FINANCIAL PROBLEMS CONFRONTING FOOD CROPS' MARKETERS

4.3.1 Problems Encountered by Food Crops' Marketers in the Use and Repayment of Loan

Out of the total respondents (130), 78 (60%) borrowers indicated that inadequacy of loan given took a substantial part of the constraint to loan availability. Next constraint is delay in loan disbursement which accounted for 38.48%, 28.46%, 21.54% and 20.77% of the marketers interviewed claimed that price fluctuations, bad roads and high cost of transportation respectively were the identified problems. Close to these were short term for loan repayment, high interest rate charged and lack of supervision by credit officers which respectively accounted for 15.39%, 14.62% and 10.77%. The least problem identified as shown in Table 17 was labour scarcity representing 1.54%

From the findings, one may categorically say that the major problem facing food crops' marketers was inadequacy of loan given inspite of the efforts made by the governments in launching the Agricultural Credit Guarantee Scheme Fund in 1977 to provide guarantee in respect of up to 75% of loans granted by Commercial and Merchant Banks for Agricultural purposes with the aim of increasing the level of the Bank Credit to the Agricultural Sector.

TABLE 17: PROBLEMS OF FOOD CROPS' MARKETERS IN THE USE AND REPAYMENT OF LOAN AS INDICATED BY RESPONDENTS

(N = 130)

Problems Identified	Frequency	Percentage
Inadequacy of loan given	78	60.00
Delay in loan disbursement	50	38.46
Price fluctuations	37	28.46
Bad Roads	28	21.54
High cost of transportation	27	20.77
Short term for loan repayment	20	15.39
High interest rate charged	29	14.62
Lack of supervision by credit officers	14	10.77
No easy market for foodstuffs	11	8.46
Cumbersome loan procedures	10	7.69
High Cost of labour	7	5.39
Problem of storage	5	3.85
Natural Hazard	4	3.08
Labour Scarcity	2	1.54
Total		100.00

* Note: Multiple responses by marketers.

SOURCE: Field Survey, 1994.



4.3.2 SUGGESTIONS FOR OVERCOMING PROBLEMS IN OBTAINING AND USING OF THE LOAN

Suggestions made by the Food Crops' Marketers to overcome these problems include adequate loan to be given (64.62%), timely disbursement of loan (40.77%), ensuring stable prices (28.46%), reduced cost of transportation (23.08%) and provision of good roads (21.54%). Other suggestions given in Table 18 include reduction in the interest rate charged (17.69%), long term loan repayment (16.15%), provision of easy market for foodstuffs (10.77%) as well as provision of good storage facilities (7.69%), term of repayment to be deferred (6.15%), Increase loanable funds to marketers (4.62%) and cheap labour to be employed (2.31%).

The most important suggestions to overcome the observed loan problems have to do with loan availability, timeliness, in loan disbursement, prices, cost of transportation, roads and interest rate charged. Therefore, if loan availability and favourable prices are ensured, most of the food crops marketers financial problems would have been suitably addressed.

Table 18: **SUGGESTED SOLUTIONS TO THE PROBLEMS IDENTIFIED BY RESPONDENTS (N-130)**

Suggested solutions	Frequency	Percentage
Adequate loan to be given	84	64.62
Timely disbursement of loan	53	40.77
Ensuring stable prices	37	28.46
Reduced cost of Transportation	30	23.08
Provision of good roads	28	21.54
Reduction on the interest rate charged	23	17.69
Financial Institution to give long time loan repayment	21	16.15
To get easy market for foodstuffs	14	10.77
Provision of good storage facilities	10	7.69
Term of repayment to be deferred	8	6.15
Government to increase loanable funds to marketers through Agricultural Credit Agencies.	6	4.62
Cheap labour to be employed	3	2.31
Total		

Note: Multiple responses

SOURCE: Field Survey, 1994

4.3.3 CURRENT INTEREST RATE STRUCTURE

Table 19 shows the current interest rate of the seven financial institutions (Banks) studied. The findings indicated that National Directorate of Employment (NDE), Cooperative Society, NACB and Cooperative Bank charged the lowest interest rate of 9%, 15%, 16% and 19% in ascending order respectively, which is ideal for small scale food crops marketers so as to sell their products at an affordable prices. This is why they will attract more applications than Commercial Banks, Community Bank and People's Bank that charge 20% and above presently.

Table 19: CURRENT INTEREST RATE NOVEMBER, 1994 (N0: 21)

S/N	NAME OF BANKS	INTEREST RATE %
1.	Nigerian Agricultural and Cooperative Bank (NACB)	16 - 21
2.	National Directorate of Employment (NDE)	9
3.	Cooperative Society	15
4.	Commercial Banks	21
5.	Community Bank	21
6.	People's Bank	20
7.	Cooperative Bank	19

Source: Field Data, 1994

4.3.5 SIZE OF LOAN BORROWED BY FOOD CROPS MARKETERS

The data obtained from the respondents regarding the size of loan borrowed, shows that about 72 marketers obtained loans of between ₦200.00 and ₦10,000.00, 22.81% obtained between ₦10,001.00 and ₦20,000.00, ₦20,001.00 and ₦30,000.00 has 7.02% and the other loan sizes with lower percentages as shown in Table 21. Of the total 130 respondents, 114 (87.69%) marketers obtained loan while the remaining 16 (12.31%) did not obtain loan (See Table 20).

The response of food crops' marketers on loan size indicated that marketers who obtained between 200.00 and 20,000.00 were in the majority (85.97%). This points to the fact that most borrowers were small scale food crops marketers who were not given much money. Another factor might be that marketers supplemented the loan with family labour and incomes. This funding is in line with findings of Ewuola (1980) and Williams (1978).

4.3.4 Table 20: RESPONSE ON LOAN BORROWED BY RESPONDENTS (N = 130)

Response	Frequency	Percentage	Cummulative
Obtained loan	114	87.69	87.69
Did not obtain loan	16	12.31	100.00
Total	130	100.00	100.00

Source: Field Survey, 1994

Table 21: SIZE OF LOAN BORROWED BY MARKETERS (N = 130)

LOAN SIZE (N)	FREQUENCY	PERCENTAGE
up to 10,000	72	63.16
10,001 - 20,000	26	22.81
20,001 - 30,000	8	7.02
30,001 - 40,000	2	1.75
40,001 - 50,000	3	2.63
50,001 - 60,000	0	0.00
60,001 - 70,000	0	0.00
70,001 - 80,000	0	0.00
80,001 - 90,000	0	0.00
90,001 - 100,000	2	1.75
over 100,000	1	0.88
Total	114	100.00

Mean = 23,616.09

Range = 200.00 - 150,000.00

Source Survey Data, 1994

4.3.6 PERCENTAGE OF MARKETERS WHO SPENT LOAN AS APPROVED

Data obtained as seen in Table 22 showed that 24.56% (28 borrowers) did not spend all the loan approved on market operations while 75.44% (86 borrowers) spent all their loan as approved.

This finding tends to confirm the fact that the loan acquired by marketers was not spent for productive purposes on market business alone but part of it was diverted for other uses, as asserted by Ewuola and Ogunfiditimi (1980), that loans are sometimes diverted to other ventures. The diversion of the part of the loan reduces its magnitude of the effect of the loan on marketers business.

Table 22: PERCENTAGE OF MARKETERS WHO SPENT LOAN AS APPROVED (N = 114)

Proportion of loan spent as approved	Frequency	Percentage %	Cummulative %
Spent part on approved enterprise	28	24.56%	24.56
Spent all on approved enterprise	86	75.44%	100.00
Total	114	100.00	

Source: Field Data, 1994

4.3.7 OTHER USES TO WHICH CREDIT GRANTED WAS PUT

Table 23 shows the non-market business uses to which the balance of loans was put. The payment of children's school fees (85.71%) and household consumption (75.00%) commanded priority among other uses to which loans were diverted. Other uses to which Agricultural loan was diverted included personal use (50.00%), Social life (25.00%), and transportation(10.71%).

The result shows that children's education and household consumption commanded the greatest priority. The finding however, agrees with the findings of Miller (1975) and Ewuola (1980).

Table 23. OTHER USES TO WHICH CREDIT GRANTED TO FOOD CROPS MARKETERS WAS PUT (N = 28)

USES	FREQUENCY	PERCENTAGE
Children's school fees	24	85.71
Household consumption	21	75.00
Personal use	14	50.00
Social life	7	25.00
Transportation	3	10.71

Multiple responses by marketers

SOURCE: Field Survey, 1994

4.4.0 CREDIT NEED OF THE FOOD CROPS 'MARKETERS

4.4.1 GROSS INCOME FROM MARKET SALES

The mean amounts of income generated without and with credit were ₦7,303.53 and ₦48,690.42 respectively (Table 24). These gave a 't' value of $t = 6.24$ which was significant at 0.01 level. This shows that when credit was made available more income was realised and so less realised with less credit.

4.4.2 COST OF PURCHASED ITEMS (FOODS) WITH AND WITHOUT LOAN

There is a significant difference in the amounts of money food crops marketers spent on their purchased food crops for resale with and without credit as indicated by a high 't' value of $t = 7.47$. This was significant at 0.01 level. The mean amounts without and with credit were ₦8,882.38 and

₦11,258.55 respectively (Table 24). Thus, this shows that a significantly higher amount of money was spent on purchased foods for resale when credit was made available

4.4.3 COST OF HANDLING GOODS BEFORE SALE

To know whether there is a significant difference between cost of handling goods with and without loan, a calculated 't' value of $t = 3.78$ between the two means of ₦1,624.32 and ₦2,042.55 respectively was obtained (Table 24). The computed "t" value obtained was significant at 0.01 level. This showed that credit availability significantly increased the amount of money spent on cost of handling goods before sale.

4.4.4 AMOUNT EXPENDED ON MARKET BUSINESS AND INCOME ACCRUED

For food crops' marketers without credit, the total amount of money spent on marketing business and the income generated had the means of ₦1,442.16 and ₦7,303.53 respectively. The calculated "t" value between these means was $t = 4.57$ which was significant at 0.01 level. This difference in the mean value (Table 24) showed that marketers make profit from their market operations even without credit.

4.4.5 AMOUNT EXPENDED ON MARKET BUSINESS AND GROSS INCOME WITH LOAN

The mean amount of money spent on market business with credit and the income realised were ₦13,183.18 and ₦48,690.42 respectively with the mean difference of ₦35,507.24 (Table 24). These gave a "t" value of $t = 5.13$ which is significant at 0.01 level. This showed that when credit was made available more money was spent on market operations and more income realised.

4.4.6 TOTAL MARKETING COST WITH AND WITHOUT LOAN

The mean amounts of money expended on food crops marketing without and with credit were ₦1,442.16 and ₦13,183.18 respectively (Table 24). The calculated 't' value was $t = 1.74$ which is significant at 0.05 level. This showed that food crops' marketers spent more money on market business when credit was made available.

4.4.7 NET INCOME WITH AND WITHOUT CREDIT

The Net Income of the food crops 'marketers without and with credit has the mean values of ₦26,774.06 and ₦65,416.60 respectively. The calculated 't' value was $t = 5.34$ which is significant at 0.01 level. This indicated that credit has a significant role to play in raising marketers' income. Hence, it provides an avenue for market expansion. Moreso, credit is very crucial and highly needed by any would be successful marketers (Table 24).

TABLE 24: TEST OF SIGNIFICANCE ON MARKETING COSTS AND REVENUE (N)

S/N	VARIABLE LIST	MEANVALUE FOR MARKETERS WITHOUT CREDIT	MEAN VALUE FOR MARKETERS WITH CREDIT	MEAN DIFFERENCE	T/VAL	PIC
1.	Gross income from market sales	37,303.53	48690.42	11386.89	6.24	**
2.	Cost of purchased items (food)	8,882.38	11258.55	2876.16	7.47	**
3.	Cost of handling goods	1,624.32	2042.55	418.23	3.78	**
4.	Total marketing cost	11,442.16	13183.18	1741.03	1.74	*
5.	Net Income	26,774.06	35416.60	8642.55	5.34	**
6.	Gross income without credit..... Total amount expended on market business before, credit..... ...	37,303.53 11,442.16		25861.37	4.57	**
7.	Gross income with credit..... Total amount spent on market business with credit.....	48,690.42 13,183.18		35507.24	5.13	**

* Significant at 0.05 level

** Significant at 0.01 level

NS Not Significant

Source: Computed from Survey Data (1994)



4.5.0 EFFECT OF CREDIT UTILISATION ON THE INCOME OF FOOD CROPS'

MARKETERS

4.5.1 REGRESSION RESULTS AND ANALYSIS

Of all the four estimated functions that were tried for this study — Linear, Double-log, Semi log and Exponential functions; Double -log function was chosen as the lead equation. This was based upon the values of the co-efficient of multiple determination (R^2) and Standard Error (SE).

The lead equation was given as:

$$Y = 1.327 - 0.047x_1 + 0.512x_2 + 0.267x_3 + 0.036x_4$$

(0.323) (0.095) (0.336) (0.168) (0.195)

Multiple R = 0.85357

R square (R^2) = 0.72858

Adjusted R square (R^{-2}) = 0.71824

Standard Error (SE) = 0.26251

F = 70.464 (Significant at 0.05 level)

At this juncture, the Double-log function has the least standard error 0.26251. From Table 25, it showed that the coefficient of multiple determination (R^2) is 0.72858. This indicated that about 73% of all the variation in market sales income with credit were explained by the variables considered in the equation while 27% were not explained. This implied that there are still a number of exogenous factors (variables) such as weather, management and others not specified in the regression model which may be responsible for the unexplained variation. Further studies may need to be carried out to examine the unexplained variation.

The F-test provides an overall test of significance of the regression equation. This test showed that F was statistically significant at 5% (0.05) level since the calculated value $F = 70.46$ was greater than the tabulated value ($F = 2.45$), thereby showing that the combined effect of the independent variables were significant on the Market Sales Gross Income.

However, the F value (70.46) which was significant at 0.05 level showed that the selected variables made significant contribution to the observed variation in Total Market Sales Income with loan.

Table 25.

REGRESSION RESULTS

FUNCTION CONSTANT		X1	X2	X3	X4	R ²	R ⁻²
Linear	6362.794 (.00823)	-1805.486 (.87601)	11.071 (.04331)	-8.670 (.12853)	1.327 (.83460)	0.681 0.729	0.669 0.718
Double-log	1.327 (.32324)	-.047 (.09535)	.512 (.33556)	.267 (.16777)	.036 (.19534)	0.729	0.718
Semi-log	-387351.091 (.58096)	-27419.789 (.03171)	539304.698 (.3035)	-388181.052 (.8944)	-51011.771 (.86203)	0.351	0.326
Exponential	4.040 (.06591)	9.666814x10 ⁰ (.27457x10 ⁰)	4.512497x10 ⁰ (.35898x10 ⁰)	-2.94237x10 ⁰ (.61731x10 ⁰)	-4.11131x10 ⁰ (.41612x10 ⁰)	0.053	0.526

Figure in parenthesis are Standard Error (SE) for each variable

Source: Computed from Field Data

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 CONCLUSION

In order for agriculture to perform its functions of providing food and raw materials for the population and country's growing industry respectively and also release labour to the industry, there must exist a strong capital base for its effective take off. This capital is supposed to function in the transformation of agriculture from its present traditional form to more dynamic technology level.

This study has revealed that the Food Crops' Marketers in both Akure and Oye Local Government Areas of Ondo and Ekiti States obtained Credit through the informal sources with highly exorbitant interest rates.

It is also revealed that production Credits are inadequate, with consumption requirements determining to a very large extent the pattern of agricultural credit utilization. Hence, the need to grant consumption as well as production loans to avoid loan diversion.

The study has considered the effect of credit on Food Crops Marketing. From the analysis, food crops' marketers in the study area considered friends and relations (30.77%), 'Esusu' Credit Institutions (20.76%), money lenders, local businessmen and traders (10.00%), cooperative society (9.23%) and NACB (8.46%) as important sources of credit.

With respect to the financial problems encountered by marketers within the study areas on loan utilization, 60.00% indicated that inadequacy of loan given, constituted the major problem, 38.46% claimed it was delay in loan disbursement, while 28.46% indicated price fluctuations. Another 42.31% claimed that bad roads and high cost of transportation were the major problems.

The result of the paired t-test statistics which was used to test whether there were significant differences in market sales, for marketers with and without credit, showed that credit is crucial and highly needed for any would be food crops' marketers.

5.2 RECOMMENDATIONS

In the light of the findings from this study, the following suggestions are recommended:

1. Agricultural Credit has to be made available to the marketers at the right time with low interest rate.
2. The Nigerian Agricultural Credit Institutions are advised not to delay loan disbursement to Marketers so that the fund can be used for marketing business and not for consumptive purposes. Banks should also be constantly involved in reviewing Agricultural Policies in order to take into account adequacy of loans to marketers.
3. To prevent delay in loan disbursement and inadequacy of credit, rural savings could be mobilized through Cooperatives and Community organizations.
4. There is need to train marketers on the conditions and regulations governing the issue and use of loans.
5. Procedures for obtaining loans should be made simple and easy for marketers to understand. In considering application for loan, priority should be given to marketers seeking such loans for food market business.
6. Food Crops' Marketers should recognise that agricultural credit is meant for increased market sales in food crops marketing and desist from the habit of diverting agricultural loan to other non-agricultural ventures.
7. Experts in the field of agriculture should be provided by the Bank in their rural branches to engage in supervision of agricultural credit so as to facilitate effective lending to agriculture.

Multiple regression analysis results showed that 73% of the variation in market sales income with credit were explained by the variables considered in the equation. Further studies should be carried out to examine the unexplained variation. With the calculated "F" value of $F=70.46$, the combined effect of the independent variables were significant on the Market Sales Gross Income.

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THE FEDERAL UNIVERSITY OF TECHNOLOGY, AKURE
DEPARTMENT OF AGRICULTURAL ECONOMICS AND EXTENSION
P.M.B. 704, AKURE
ONDO STATE

Dear Sir/ Madam,

PROJECT QUESTIONNAIRE FOR FOOD CROPS' MARKETERS

I am a Post Graduate Student of the above mentioned Department. I am at present working on M. Tech Thesis tittle " Effect of Credit on Food Marketing in Akure Local Government Area of Ondo State and Oye Local Government Area of Ekiti State" which this questionnaire has been planned to investigate.

I shall be very grateful if you could kindly fill the questionnaire as directed.

INSTRUCTION: Please tick (ü) or fill in answer (s) as appropriate.

Thanks for your co-operation.

Yours Faithfully,

MR. ADEEGBE, JOHNSON OLUGBADE

INTERVIEW SCHEDULE

Please fill this questionnaire as appropriate.

Date of Interview

Enumerator

Name of Town/Market

L.G.A

SECTION ONE -DEMOGRAPHIC INFORMATION

1. (a) Age:

(b) Sex: (Mark One)

Male.....Female.....

(c) Religion: (Mark One)

(i) Christianity, (ii) Islam

(iii) Traditional, (iv) Others specify

2. (a) Marital Status: (i) Married, (ii) Single

(iii) Divorced, (iv) Widow

(b) Number of Wives.....

(c) Number of Children.....

(d) Dependant Relations.....

3. Major Occupation (Mark one)

(a) Marketing (Food), (b) Farming

(c) Agricultural Labour

(d) Craftmanship

4. Secondary Occupation (Mark one)

(a) Hunting

(b) Produce buyer

(c) Fishing

(d) Others specify

5. State your years of marketing experience years



6. What food crops do you market or sell ?

- | | |
|------------|-------------|
| (a) Garri | (b) Yam |
| (c) Rice | (d) Elubo |
| (e) Beans | (f) Melon |
| (g) Corn | (h) Beef |
| (i) Fish | (j) Oranges |
| (k) Others | |

7. Please indicate your level of highest education (mark one)

- (i) Non-formal Education (Adult evening school)

Completed Not completed

- (ii) Primary Education

Completed Not completed

- (iii) Secondary Education

Completed Not completed

- (iv) Post Secondary Education

Completed Not completed

- (a) University (b) Polytechnic

- (c) Others (specify)

7(b). If Non-formal Education, can you:

	Yoruba	English	Others specify
Speak
Read
Write

8. What Association or Union are you a member ?.....

9. What are the benefits that you enjoy from the association?

- (a)
- (b)
- (c)
- (d)

SECTION TWO-AVAILABILITY AND SOURCES OF CREDIT

10. When did you start your selling/marketing?
11. What is the source of your initial capital of the business
- (a) Personal Fund..... (b) Money lenders
- (c) Borrowed money from friends and relations
- (d) Purchased on credit
- (e) Loan from the Bank (Association)
12. How much was your biggest loan and what year?
13. From what source (s) have you obtained credit before?
- (i) Ondo State Agricultural Credit Corporation
- (ii) Nigerian Agricultural and Cooperative Bank (NACB)
- (iii) National Directorate of Employment (NDE)
- (iv) Credit and Commerce Bank
- (v) Agricultural Produce Marketing Cooperative Society
- (vi) Commercial Bank (vii) Community Bank
- (viii) People's Bank.....
- (ix) Trade Association
- (x) 'Esusu' Credit Institution
- (xi) Money Lenders, Local businessmen and traders
- (xii) Others specify
14. Give the sources, year, amount and interest rate of your borrowed fund in the last ten (10year):

SOURCE	YEAR	AMOUNT	INTEREST RATE
--------	------	--------	---------------

- | | | | |
|-------------|-------|-------|-------|
| (i) ..... | ..... | ..... | ..... |
| (ii) ..... | ..... | ..... | ..... |
| (iii) ..... | ..... | ..... | ..... |
| (iv) ..... | ..... | ..... | ..... |
| (v) ..... | ..... | ..... | ..... |
| (vi) ..... | ..... | ..... | ..... |
| (vii)..... | ..... | ..... | ..... |

- (viii).....
- (ix)
- (x)

15. Colateral security offered:

- (i) None
- (ii) Guarantors only
- (iii) Conveyance or Certificate of Occupany
- (iv) Shares/Insurance Certificate
- (v) Mortgage
- (vi) Others specify

16. Which one do you consider as the important source of agricultural credit?

(check one)

- (i) Ondo State Agricultural Credit Corporation.....
- (ii) Nigerian Agricultural and Cooperative Bank (NACB)
- (iii) National Directorate of Employment (NDE)
- (iv) Credit and Commerce Bank
- (v) Agricultural Produce Marketing Cooperative Society
- (vi) Commercial Bank
- (vii) Community Bank
- (viii) People's Bank
- (ix) Trade Association
- (x) 'Esusu' Credit Institution
- (xi) Money lenders, Local businessmen and traders
- (xii) Friends and Relations
- (xiii) Others specify

17. Give reasons(s)

- (i)
- (ii)
- (iii)
- (iv)
- (v)

SECTION THREE- PROBLEMS AND SUGGESTIONS

18. What are the major financial problems facing you in the utilization and repayment of agricultural credit?

- (i)
- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)

19. What are your suggested solutions to the above problems?

- (i)
- (ii)
- (iii)
- (iv)
- (v)
- (vi)
- (vii)

SECTION FOUR- MARKET OPERATIONS AND CREDIT NEEDS

20. What category of marketer are you?

- | | | |
|--------------|------------------|----------------|
| (a) Garri: | Wholesaler | Retailer |
| (b) Yam: | Wholesaler | Retailer |
| (c) Rice: | Wholesaler | Retailer |
| (d) Elubo: | Wholesaler | Retailer |
| (e) Beans: | Wholesaler | Retailer |
| (f) Beans | Wholesaler | Retailer |
| (g) Corn: | Wholesaler | Retailer |
| (h) Beef: | Wholesaler | Retailer |
| (g) fish: | Wholesaler | Retailer |
| (h) Oranges: | Wholesaler | Retailer |

21. From whom do you obtain supply?
- (a) Farmer- Producer
 - (b) Farmers Marketing Cooperative
 - (c) Farm gate middleman
 - (d) Commissioned agent
 - (e) Non-Commissioned agent
 - (f) Wholesaler (Major distributor)
 - (g) Others (specify)
22. What category of people do you sell to ?
- (a) Final consumer (b) Retailer
 - (c) Institutions (Schools, Hospital, Restaurants, etc)
 - (d) Others (specify)
23. What measurement do you use?
- (a) Polythene bag (b) Tin
 - (c) Rubber/Congo/Kobiowu (d) Kilogram (kg)
 - (e) Tonne (f) Others specify
24. How do you determine the price which you sell your products?
- (a) Price given by a trade association
 - (b) By asking neighbours
 - (c) From previous sales
 - (d) Cost of production plus margin
 - (e) Others (specify)



25. Food items bought and sold in order of importance -most important is

FOOD ITEMS	QUANTITY		UNIT KG/BAG/TONNE	UNIT PRICE (N)	
	BOUGHT	SOLD		1992	1993
Garri					
Yam					
Rice					
Elubo					
Beans					
Melon					
Corn					
Beef					
Fish					
Oranges					
Others					

26. How do you inform buyers about the product (s)?

- (a) Advertisement (b) Open display
- (c) Send messenger to them (d) Others

27. At what period of the year do you have greatest sale for your products?

PERIOD	QUANTITY SOLD	UNIT PRICE (N)	TOTAL SALES (N)
(a) January - March			
(b) April - June			
(c) July -September			
(d) October-December			
(e) Others (specify)			

28. What are the major problems encountered in selling?

- (a)
- (a)
- (c)
- (d)

29. Estimate the total amount spent on food marketing business before and after acquisition of agricultural credit by completing the table below:

	<u>Amount spent</u>	<u>Amount spent</u>
Operations	<u>Without credit</u>	<u>With credit</u>

- (i) Purchase of items (food)
- (ii) Handling of goods before sales/labour, storage and transportation

30. Indicate the purpose(s) for which the agricultural credit is needed:

- (a)
- (a)
- (c)
- (d)
- (e)

31. Estimate of financial undertakings for 1993

Items	Amount for family expenditure 1993
(a) Family	
(i) Clothing
(ii) Feeding
(iii) School fees
(iv) Medical expenses
(v) Taxation
(vi) Entertainment
(vii) Others specify

(b) Traditional Ceremonies Amount expended last year

(i) Marriage

(ii) Naming Ceremonies

(iii) Burial

(iv) Others specify

SECTION FIVE- EFFECT OF CREDIT ON FOOD MARKETING

(a) As a food crops marketer, do you prefer leading from the financial institutions to from non-institutional source? Yes No

(b) Why?

33. Have you ever applied for a bank loan?

Yes No

34. If No, indicate reason(s) why not

(i) Unattainable collateral condition

(ii) High rate of interest

(iii) Banks are unwilling to lend

(iv) No access to the banks

(v) Others specify

35. How many times in a year does your creditor visit the market place?

(i) Once (ii) 2-4 times

(iii) None

36. Where do you keep your savings?

(i) In the Bank (ii) At home

(iii) With people outside (iv) With daily collectors

37. Are you indebted to any lending agency or individual?

Yes No

38. (a) Do you get you income mainly form marketing?

Yes No

(b) If yes, what proportion of your total (gross) income comes from food crops marketing?

(i) Less than 25% (ii) Up to 50%

(iii) Up to 75% (iv) 100%

(c) If No, what other job(s) do you get income from?

(i)

(ii)

(iii)

39. On getting the Credit:

(a) How did you use the loan?

Use

Amount so used (N)

(i) Cost of purchase of food items

(ii) Cost of handling goods before sale

(iii) Cost of labour

(iv) Cost of storage

(v) Cost of Transportation

(b) Proportion of the loan used on the market business%

(c) Use

Amount so used ()

.....

.....

.....

.....

.....

**EFFECT OF CREDIT ON FOOD MARKETING IN AKURE LOCAL GOVERNMENT
AREA OF ONDO STATE AND OYE LOCAL GOVERNMENT AREA OF EKITI STATE:**

PROJECT QUESTIONNAIRE FOR FINANCIAL INSTITUTION

1. Name of Financial Institution
2. Location of Financial Institution
3. Does your institution assist in financing food marketing?
Yes No
4. Indicate the lending categories your bank is involved
 - (i) Short term financing
 - (ii) Medium term financing
 - (iii) Long term financing
5. State category of beneficial marketers
 - (a) Number of small scale marketers
 - (b) Number of medium scale marketers
 - (c) Number of large scale marketers
6. What is your current interest rate?.....
7. What methods of loan disbursement is/are being used by your bank?
 - (i) Piece-meal disbursement
 - (ii) Bulk disbursement
 - (iii) In kind disbursement
 - (iv) In cash and kind
8. Does your bank has monitoring or extension for agricultural loans?
Yes No
9. How many times do you visit your marketers in a year?
10. Indicate and state number of your agricultural experts
 - (a) Degree holders
 - (b) Diploma/certificate holders

11. Does your bank encounter repayment problems from the beneficiary marketers?

(a) Yes

(b) No

(c) Some

12. If a or c above, indicate one or more reasons why you think food crops' marketers find it difficult to repay?

(i)

(ii)

(iii)

(iv)

(v)

Please state any additional relevant information not covered by this questionnaire