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FARMERS' ACCESS AND USE OF AGRICULTURAL CREDIT FACILITIES: A CASE OF ENUGU NORTH SENATORIAL DISTRICT, ENUGU STATE, NIGERIA

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Abstract

Credit plays a pivotal role in agricultural development by enabling farmers to invest in productive activities and improve their livelihoods. This study assessed farmers' access to and use of agricultural credit facilities in Enugu North Senatorial Zone of Enugu State, Nigeria. A multi-stage and purposive sampling technique was employed to select 72 farmers for the study. Data were collected using a structured interview schedule and analyzed using descriptive statistics. Findings revealed that the major sources of credit available to farmers were friends and relatives (73.6%), cooperative societies (52.8%), and Isusu (thrift) groups (48.6%). The most accessible credit sources were friends and relatives ($M = 2.89$) and cooperative societies ($M = 2.50$). Farmers primarily utilized the credit obtained for planting operations (88.9%), purchase of seeds and seedlings (87.5%), agrochemicals such as fertilizers and insecticides (84.7%), land preparation (81.9%), and hiring of labour (77.8%). The study concluded that farmers had limited access to formal or institutional credit sources such as commercial and agricultural banks, which could significantly constrain agricultural development. It was therefore recommended that the government, through agricultural extension agents, should intensify efforts to sensitize farmers on credit sources, accessibility, effective utilization, repayment, and investment to enhance agricultural productivity and rural livelihoods.

Keywords: Agricultural development; credit access and use; agricultural credit facilities; credits in Nigeria

Introduction

Agriculture, broadly defined as the cultivation of crops and rearing of livestock for food, raw materials, and industrial purposes, remains a cornerstone of national development (Central Bank of Kenya [CBK], 2015). In Nigeria, agriculture provides the largest source of employment, livelihood, and food supply for the population. The sector, dominated by smallholder farmers who constitute about 90% of the farming population, contributes substantially to national output and employs over 70% of the labour force (Anderson et al., 2017; Food and Agriculture Organization [FAO], 2022). Despite its importance, smallholder productivity and expansion remain low due to constraints such as limited knowledge, inadequate skills, weak policy support, and, most critically, insufficient access to finance (Mgbenka & Mbah, 2016).

Access to credit is widely acknowledged as a crucial driver of agricultural performance. However, inadequate and untimely access to agricultural credit has long been identified as one of the most significant constraints to agricultural development in Nigeria (Akinagbe & Adonu, 2014; Odoemenem & Obinne, 2010; Oke et al., 2022). The lack of affordable credit prevents farmers from adopting modern technologies, expanding their farm enterprises, and enhancing productivity. Moreover, the collateral requirements imposed by most credit institutions further limit smallholders' access to loans, as they often lack the requisite assets (Asogwa et al., 2014). The problem is compounded by widespread poverty, low savings culture, and the physical distance of rural farmers from financial institutions (Akinagbe & Adonu, 2014). Yet, empirical evidence shows that access to agricultural credit enhances farm productivity, income, and food security (Asghar & Salman, 2018). Farmers who can obtain and effectively utilize



credit are more likely to invest in improved technologies, increase production, and explore new markets.

Globally, the need for increased agricultural investment continues to grow, driven by population expansion and changing dietary preferences toward higher-value agricultural products (World Bank, 2019). Meeting the projected 70% increase in global food demand by 2050 will require approximately US\$80 billion in annual investments, the majority of which must come from the private sector (World Bank, 2019). To achieve this, the World Bank recommends that financial institutions in developing countries allocate a higher proportion of their lending portfolios to agriculture relative to the sector's contribution to gross domestic product (GDP). In Nigeria, agricultural credit is sourced from various channels, including formal institutions such as commercial and agricultural banks and microfinance institutions; semi-formal channels such as cooperative societies and non-governmental microfinance organizations; and informal sources such as thrift groups (Isusu), moneylenders, and relatives (Akerle et al., 2022).

Despite the availability of these credit channels, the degree to which farmers access and what they utilize agricultural credit facilities remains uncertain, particularly in rural areas such as Enugu North Senatorial District, where farming is the predominant livelihood activity. Adequate access and utilization of agricultural credit can stimulate farm productivity, increase household income, generate employment, reduce poverty, and enhance food security.

Although several government and private-sector initiatives have sought to improve agricultural financing in Nigeria, disparities in access to and utilization of credit facilities persist across regions and socio-economic groups. Enugu North Senatorial District, with its predominantly agrarian population, presents an appropriate context for investigating farmers' interaction with credit sources. Understanding the level of access and use of agricultural credit will provide valuable insights for developing inclusive credit policies and targeted interventions aimed at strengthening smallholder productivity and rural livelihoods. Hence, this study seeks to examine farmers' access to and use of agricultural credit facilities in Enugu North Senatorial District, Enugu State, Nigeria.

Methodology

The study adopted a descriptive survey design, which is appropriate for obtaining data from a representative sample of respondents and describing their characteristics, opinions, and behaviours without manipulating variables. This design was considered suitable for assessing farmers' access to and use of agricultural credit facilities.

The research was conducted in Enugu North Senatorial Zone of Enugu State, Nigeria. The state lies approximately on latitude 6.44476° N and longitude 7.53521° E of the equator. The zone is predominantly rural and agrarian, with a large proportion of its working population engaged in farming. Owing to its favourable location within the tropical rainforest

and savannah belt, the area possesses fertile agricultural land suitable for the cultivation of both food and cash crops.

The population for the study comprised all farmers in Enugu North Senatorial Zone who had accessed and utilized agricultural credit facilities. A multi-stage sampling technique, involving both random and purposive procedures, was used to select the respondents. In the first stage, three Local Government Areas (LGAs) were randomly selected from the six LGAs in the zone. In the second stage, three communities were randomly chosen from each selected LGA, resulting in a total of nine communities. In the third stage, eight farmers who had accessed and used credit facilities were purposively selected from each community, giving a total of 72 respondents for the study.

Data were collected using a structured interview schedule, designed to capture information on farmers' sources, level of access, and utilization of agricultural credit facilities. The level of access to credit facilities was determined using a four-point Likert-type scale comprising *high access*, *medium access*, *low access*, and *no access*. The sources and uses of agricultural credit facilities available to farmers were identified through a checklist that allowed respondents to indicate the specific sources and purposes for which the credits were utilized. Data collected were analyzed using descriptive statistical tools, including frequency, percentage, mean, and standard deviation, to summarize and interpret the findings.

Results and Discussion

Socio-economic characteristics of the respondents

Table 1 presents the socioeconomic characteristics of the respondents. The results show that 56.9% of the farmers were male, while 73.6% were married. The respondents had an average age of 42.5 years and an average farming experience of approximately eight years (7.63 years). Most of the farmers (98.6%) were literate, and 62.5% belonged to a farmers' organization. Their average monthly income was ₦38,625.78, with an average farm size of 0.34 hectares.

These findings indicate that the respondents were within their economically active age group and possessed considerable farming experience, which are essential for productivity and adaptability to agricultural innovations. However, their relatively low income, likely a consequence of their small farm sizes (less than half a hectare), may restrict their financial capacity and access to formal credit institutions. This socioeconomic profile provides important context for understanding their reliance on informal credit sources and patterns of credit utilization.

Table 1: Socio-economic characteristics of the respondents

Items	Frequency (n = 72)	Percentage	Mean (M)
Sex			
Male	41	56.9	
Female	31	43.1	
Marital status			
Single	19	26.4	
Married	53	73.6	
Age			
<30	5	6.9	
30-40	29	40.3	
41-51	21	29.2	42.5
52-62	17	23.6	
Years of experience in farming			
1-5	21	29.2	
6-10	43	59.7	7.63
11-15	7	9.7	
16-20	1	1.4	
Level of education			
No formal education	1	1.4	
Primary school attempted	4	5.6	
Primary school completed	26	36.1	
Secondary school attempted	17	23.6	
Secondary school completed	19	26.4	
Tertiary education	5	6.9	
Social organization belonged			
Farmers Association	45	62.5	
Cooperative society	36	50.0	
Religious group	34	47.2	
Monthly household income (N)			
10000-20000	3	4.2	
20001-30001	15	20.8	
30002-40002	26	36.1	38,652.78
40003-50003	28	38.9	
Estimated size of land used (ha)			
<0.6	69	95.8	
0.6-1.0	3	4.2	0.34
1.1-1.5	-	-	

Sources of credit facilities available to the respondents

Data presented in Table 2 indicate that the majority (73.6%) of the farmers obtained credit from friends and relatives, followed by cooperative societies (52.8%), Isusu (thrift) groups (48.6%), moneylenders (45.8%), and farmers' associations (44.4%). This pattern suggests that informal and semi-formal sources of credit are more prominent and widely utilized among farmers in the study area compared to formal financial institutions such as commercial banks (27.8%), agricultural banks (36.1%), and microfinance banks (37.5%). The predominance of informal and semi-formal credit sources highlights the limited reach and accessibility of formal credit institutions among rural farmers. This finding is consistent with earlier reports by Bolarinwa and Fakoya (2011) and Akinagbe and Adonu (2014), who observed that friends and relatives constitute the major sources of agricultural credit available to farmers in Nigeria.

The relatively low patronage of formal credit institutions may be attributed to stringent collateral requirements, high interest rates, and bureaucratic loan procedures. Akinode (2013) similarly reported that Nigerian banks allocate an average of only 2% of their total loan portfolio to the agricultural sector, reflecting a general reluctance to finance smallholder agriculture. Likewise, Alabi et al. (2016) found that more than 60% of smallholder farmers in Nigeria are unable to access loans from conventional banks. In general, these findings underscore the continued reliance of smallholder farmers on informal and community-based financial networks to meet their credit needs, suggesting a need for policies that enhance the accessibility and inclusiveness of formal agricultural financing mechanisms.

Table 2: Sources of credit facilities available to farmers

Items	Frequency	Percentage
Cooperative society	38	52.8*
Money lenders	33	45.8*
Isusu (Thrift)	35	48.6*
Friends/relations	53	73.6*
Farmers organization	32	44.4*
Religious group	21	29.2
Commercial bank	20	27.8
Agricultural bank	26	36.1
Micro-finance bank	27	37.5

Multiple responses

Level of access to agricultural credit facilities

Results in Table 3 reveal the level of farmers' access to various agricultural credit facilities in the study area. The most accessible sources of credit were friends and relatives ($M = 2.89$) and cooperative societies ($M = 2.50$). In contrast, farmers reported limited access to credit from commercial

banks ($M = 1.99$), microfinance banks ($M = 2.22$), and agricultural banks ($M = 2.07$). These findings indicate that respondents generally had restricted access to formal credit institutions, relying more heavily on informal and semi-formal sources. This outcome aligns with the observation of Sekyi et al. (2017), who reported that small-scale farmers often face limited access to credit from both formal and informal sources despite the sector's crucial role in food production and employment. Similarly, Oke et al. (2022) found that a large proportion (83.3%) of maize farmers lacked access to credit facilities, underscoring the persistent financing gap in Nigeria's agricultural sector. Odoemenem and Obinne (2010) attributed this limitation to the low presence of formal credit institutions in rural areas compared to the widespread availability of informal credit networks. The findings therefore highlight the structural and institutional barriers that continue to restrict smallholder farmers' access to agricultural credit. These challenges—ranging from limited rural banking infrastructure to stringent loan requirements—contribute to the farmers' dependence on informal sources, thereby constraining agricultural productivity and rural development.

Table 3: Level of access to agricultural credit facilities

Items	Mean	Standard deviation
Cooperative society	2.50*	1.01
Money lenders	2.19	0.80
Isusu (Thrift)	2.25	0.95
Friends /relations	2.89*	0.93
Farmers organization	2.19	1.02
Religion Group	1.76	0.88
Commercial bank	1.99	0.83
Agricultural bank	2.07	0.88
Micro-finance bank	2.22	1.06

Cut-off point = 2.50

Uses of agricultural credit facilities available to the farmer

Data presented in Table 4 show how farmers utilized the agricultural credit facilities available to them. The results indicate that most farmers used the credit they accessed primarily for planting operations (88.9%), purchase of farm inputs such as seeds and seedlings (87.5%), land preparation (81.9%), purchase of agrochemicals (84.7%), and hiring of farm labour (77.8%). These findings suggest that the farmers' use of credit was largely directed toward recurrent farm activities rather than long-term capital investments. The high proportion of farmers utilizing credit for labour hiring further underscores the persistent labour shortages in rural agricultural production. This situation may be attributed to the declining interest of youth in farming and the reduced availability of family labour due to schooling, apprenticeship, or migration to urban areas for skill acquisition and

employment opportunities. These findings are consistent with those of Akinagbe and Adonu (2014), who reported that most farmers primarily use credit to purchase essential farm inputs such as seedlings, herbicides, insecticides, and seeds. Conversely, only a few respondents reported using credit for acquiring new farmland (22.2%) or expanding the area under cultivation (18.1%). This limited use of credit for capital-intensive investments may be due to the relatively small loan amounts accessible to farmers, which are often insufficient to finance large-scale agricultural projects.

Furthermore, the low proportion of credit used for land acquisition or expansion could reflect the fact that most farmers already have access to land through inheritance, a common cultural practice in the study area where over half of the respondents were male. Thus, land acquisition may not constitute an immediate production need for most farmers. Overall, the results highlight that agricultural credit in the area is primarily utilized to support short-term production needs rather than to drive structural growth or farm expansion, suggesting a need for improved credit schemes that can finance both working capital and long-term agricultural investments.

Table 4: Uses of agricultural credit facilities available to the farmer

Uses of credit facilities	Frequency	Percentage (%)
Acquisition of new land	16	22.2
Land preparation (clearing, stumping)	59	81.9*
Purchase of farm inputs like seeds and seedlings	63	87.5*
Planting operations (planting, weeding, spraying)	64	88.9*
Hiring of labour	56	77.8*
Expansion of hectares under cultivation	13	18.1
Purchase of agrochemicals like insecticide and fertilizer	61	84.7*

Multiple responses

Conclusion and Recommendations

The study concluded that farmers had limited access to formal or institutional credit sources such as commercial and agricultural banks. This lack of access to formal financing poses a significant constraint to agricultural development, which depends heavily on the availability of adequate and affordable capital. The findings also revealed that farmers primarily utilized the credit they obtained for recurrent production activities rather than for capital-intensive investments or farm expansion.

To address these challenges, it is recommended that the government, through agricultural extension services and

relevant financial institutions, intensify efforts to sensitize farmers on the availability, accessibility, and effective utilization of agricultural credit facilities. Extension agents should also provide continuous education on loan management, repayment, and productive investment to ensure the sustainability of credit schemes. Furthermore, institutional and policy barriers that hinder farmers' access to formal credit—such as high collateral requirements, complex loan procedures, and limited rural banking presence—should be reviewed and eliminated. Enhancing farmers' access to affordable credit will not only improve agricultural productivity but also contribute to poverty reduction, employment generation, and food security.

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