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FACTORS INFLUENCING DEMAND FOR CREDIT AMONG RUBBER SMALL HOLDERS IN EDO STATE, NIGERIA

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The study focused on the credit demand among rubber small-holders in Edo state, Nigeria using a probit model. The data was obtained from a sample survey of 100 rubber small-holders in the study area using a multi-stage random sampling method. Both descriptive statistics and probit model were used to analyze the data. The study indicated that 57 per cent of the selected farmers source credit from non-formal financial institutions such as money lenders, friends and relatives. The probit model was used to determine the factors influencing the probability that a farmer would demand for credit in the study area. The model revealed that the influence of factors such as farmers' experience, level of education and amount spent on farming inputs were highly significant.

Keywords: Credit, Nigeria, Owners equity, Rubber small holders.

INTRODUCTION

Agricultural credit is one of the key elements in modernization of agriculture. It not only does reduces a financial constraint, but it also provides the incentive to adopt new technology that would otherwise only be slowly accepted (Ogunfowora, 1972).

The factors working against the improved living standard and productivity of farmers are many and often inter-related. One of the most inhibiting factors is inadequate capital or fund for improved productivity (Arosanyi, 2003). The poverty is manifested in low level of output, low income, low savings and low capital formation among the farmers (World Bank, 1974). The need for credit assistance is paramount to overcome the poverty. However the credit facilities may not be adequate. The inadequacy of credit facility is termed as credit gap (Teriba, 1972).

The demand for agricultural credit depends on the cost of credit (interest rate) and the returns on investment (marginal efficiency of capital). If the marginal efficiency of capital is greater than the cost of credit, more credit will be demanded (and vice-versa). Provision of credit can help in the development of small farmers, but is not essential for agricultural development (Johnson, 1987). Credit is merely an accelerator; it can cause disaster if misused.

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