



Tropentag, September 17-19, 2018, Ghent

“Global food security and food safety:
The role of universities”

Impact of Credit Demand on Productivity of Rice Farmers in South-west, Nigeria

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Abstract

Rice is one of the most important food crops in Africa, its economic activities related to production, processing, distribution, and consumption are widely considered a key for economic development, food security, and poverty reduction. This study analysed the impact of credit demand on productivity of rice farmers in Southwest, Nigeria. A multistage sampling technique was used to collect cross sectional data from 360 rice farmers selected from three States in the region.

A more efficient version of an endogenous switching regression model, which accounts for both heterogeneity and sample selection issues was used to investigate the impact of credit demand on rice productivity in Southwestern Nigeria. Consequently, a Tobit regression model was employed in measuring the level of participation of rice farmers in the credit market. The result of the first stage of the ESRM (Probit model) reveals farmers' socio-economic characteristic variables, household asset variables, access to service, climate variables, regional variables and transaction cost are the important factors influencing the decision to demand for credit. The results of the second stage of the ESRM show that marital status, educational status farming experience, farm size and household size are factors explaining the variations in rice productivity among the farmers that have access to credit. In the same vein, marital status, educational level and access to climate information are also significant factors explaining the variation in rice productivity among non-participants. Results of the Tobit model show that the farmers' location, revenue from rice farming, farming experience, interest rate and distance to the source of credit are significant determinants of amount of credit received.

In conclusion, these findings suggest that facilitating access to credit by farmers is a good strategy to enhance rice farmers' productivity. Access to credit is an important factor in the quest to achieve increased rice productivity. This study, therefore, recommends that access to credit should be included in any agricultural development programs in Nigeria. Also, to contribute to rice sector development, governments and development partners should work together to improve the conditions of access of rice farmers to suitable agricultural credit, including the reviewing of interest rates.

Keywords: Credit, Farmers, Impact, Nigeria, Productivity, Rice

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