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**POTENTIALS AND CHALLENGES OF COMMUNITY BANKS
IN AGRIBUSINESS FINANCING FOR SMALL FARMERS IN
JOS SOUTH LOCAL GOVERNMENT AREA OF PLATEAU
STATE**

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**POTENTIALS AND CHALLENGES OF COMMUNITY BANKS IN AGRIBUSINESS
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PLATEAU STATE**

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ABSTRACT

Capital is regarded as a major factor for expanding production and modernizing Agriculture. The need to provide it to farmers is inevitable because it is an instrument in fostering Agricultural development and for improving efficiency in the production process. The contemporary practice of agriculture requires capital support, which is a handicap to small farmers. A research was conducted in Jos South L.G.A to assess the effectiveness of rural credit delivery system of community banks to provide resources to poor farmers. A set of 65 data collection instruments was administered to farmers and bank officials in a multi-stage random selection technique. Descriptive statistics was adopted to analyse socio-economic characteristics of the farmers while inferential statistics was adopted to test the hypotheses of the study. Findings revealed that majority of the farmers are yet to benefit from community banks (88%). The result of the hypotheses test indicates that information gap, inadequate and timely supply of inputs of production, time of loan disbursement, value of loan package are all statistically significant to sourcing of credit from the bank by farmers. It is recommended that farmer friendly banking policy be adopted to encourage farmers to patronize community banks.

INTRODUCTION

Agriculture in the pre-historic periods sustained humanity over the years with little or no significant attachment to capitals for production (Anthony *et al* 1995). However, in contemporary period, lack of capital is regarded as one of the major constraints in expanding production and moderning agriculture (Richard, 2000). In view of this, the need to produce credit to farmers is inevitable because of its significance in fostering agricultural development and for improving efficiency in the production process. In most cases, small farmers are seen as conservatives and unattractive to new and improved technology. However, the fact is that they are rational not to engage in uncertainty bearing in mind their resource poor circumstances. They will need external support in form of credit to accommodate the adoption of new practices and technology. (Aribisala, 1987). In view of these small farmers are now ready to ask for loanable funds, but their inaccessibility to loan and lack of tangible collateral for loans especially when dealing with the orthodox banks is a handicap to their production.

Agricultural finance is one of the most important input resources vital for agricultural development and at farm level; agricultural finance refers to the financial management of the farm. It is the study of acquisition and the use of capital on the farm in keeping with the goal of the farmer (Richard, 2000). Credit is the money or financial aspects of capital. It includes money, cash, bank overdraft or items of land, which can be classified as long, medium and short term credit. Finance remains one of the major factors militating against agricultural development. Small farmers have always recorded low rate of adoption of new technology because of non availability of credit to do so (Oluwa Sanmi, 1990). The community as a social system is an area of common life and the focus of social living. It sources are embedded in common interaction, common needs and common interests. The pursuit of the interest brings people into contact and is likely to preserve their interest in common under regulated social condition. The characteristics of a community includes: shared territory, share beliefs, shared bond of fellowship, set standard or pattern of behaviours and common admin (Anyanwu, 1992).

A community bank is a self-sustaining financial institution owned and managed by community or group of communities, mobilizing deposits, lending bank and other financial services. In addition to extension of credits to its members on the basis of recognition and credit-worthiness (Maboginje, 1991). It is also seen as a unit bank for small community designed to meet the credit need of those lacking tangible security compared with orthodox banks (Ijere, 1994). In Jos South, in spite of increased extension services and farmers general awareness of improved technology capital has become a limiting factor to the small farmers. It is against this background that the study was undertaken.

Objectives

These are to:-

- * Determine gender balance and educational level of farmers.
- * Determine agricultural enterprises of farmers and size of farm.
- * Determine method of production and volume of loan obtained.
- * Determine farmers' patronage of community bank.

Research Hypotheses

1. There is no significant relationship between information gap and patronage of community banks.
2. There is no significant relationship between time of loan disbursement and patronage in community banks.
3. There is no significance relationship between value of loan and patronage of community bank.
4. There is no significance relationship between timely supply of inputs of production and patronage of community bank.

METHODOLOGY

A study was conducted in Bukuru, capital of Jos South local Government Area of Plateau State. Interview schedule was utilized to obtain primary data from 65 target respondents of small farmers and community bank officials in a multi stage sampling techniques. However, 60 data collection instruments representing responses of farmers were analysed. Descriptive statistics – measure of central tendency – mode frequency and percentages was adopted for socio-economic characteristics of the study while chi-square (χ^2) and co-efficient of contingency (C) was adopted to test the hypotheses of the study.

RESULT AND DISCUSSION

Findings (Table 1) indicates that majority of the farmers are male (83%) while educational level of most of the respondents are primary school leavers (36%). It reveals the preponderance of male farmers over female farmers in the study area and the low level of educational attainment of the farmers. An obvious implication is the need to target women farmers by separating extension delivery packages of female farmers from male farmers because studies shows that their farming needs are not the same while the level of educational attainment provides insight into appropriate choice of extension method to reach the farmers considering their level of education.

Table 2 indicates that greater number of the farmers (77%) combines crop, sheep, goat and local chickens, while 3% are in fisheries. This combination of enterprises is characteristics of small farmers due to need for insurance against the failure of any of the enterprises. This reveals the consciousness of small farmers against failures of farm enterprises considering their resource poor circumstances and lack of financial capacity to adopt and practice improved method of production at less risk (Oluwa Sanmi, 1990).

Size of farm holdings indicates that greater number (88%) operates less than 2 ha while method of operation is commonly manual (80%). This is the characteristics of small holder agriculture which needs support of credit for expansion. The relevance of community banks to the farmers is inevitable (Mabogunje, 1991). Appropriateness of time of loan disbursement reveals that greater number of the farmers (67%) is not comfortable with the period of disbursement as it is at variance with their schedule of usage for farm operation. The implication is that community banks should be alive to their responsibility of meeting the credit needs of the small farmers (Ijere, 1994). Table 3 indicates that most of the farmers (70%) are not aware that they can obtain credit from community bank for agricultural production.

Table 1: Gender and Education

| | | Freq | % |
|----|---------------------|------|-----|
| 1. | Gender | | |
| a. | Male | 50 | 83 |
| b. | Female | 10 | 17 |
| 2. | Education | 6 | 10 |
| a. | Arabic | 19 | 31 |
| b. | Adult & informal | 22 | 36 |
| c. | Primary education | 10 | 16 |
| d. | Secondary education | 5 | 05 |
| e. | Tertiary education | 60 | 100 |

Source: Field survey, 2001

Table 2: Agricultural enterprise, size of farm holding and method of operation

| | Agric Enterprise | Freq | % |
|----|---------------------------------------|------|----|
| a. | Crop, sheep, goat and local chickens. | 58 | 97 |
| b. | Fisheries | 02 | 03 |
| 2. | Size of farm | 26 | 45 |
| a. | Less than 2 ha | 21 | 43 |
| b. | 2-4 ha | 13 | 12 |
| c. | Greater than 4 | | |
| 3. | Method of operation | | |
| a. | Animal traction | 8 | 13 |
| b. | Tractor | 9 | 07 |
| c. | Manual | 48 | 80 |

Source: Field survey, 2001.

Table 3: Awareness of agric credit derivable for Community Bank, value of loan obtained and timeliness of loan disbursement

| | Awareness | Freq | % |
|----|------------------------|------|----|
| a. | Yes | 18 | 30 |
| b. | No | 42 | 79 |
| 2. | Value of loan obtained | | |
| | 1000 | 1 | 2 |
| | 5000 | 8 | 13 |
| | Above 5000 | 9 | 15 |
| | None | 42 | 70 |
| 3. | Timeliness | | |
| | Timely | 6 | 33 |
| | Not timely | 12 | 67 |

Source: Field survey, 2001

Table 4: Association between variables of hypotheses and farmers patronage of community bank.

| Variables | X^2C | X^2t | D'F | C.C | Decision |
|---------------------------------------|--------|--------|-----|-------|----------|
| Information gap | 5.143 | 3.84 | 1 | 0.281 | S |
| Timeliness of loan disbursement | 5.143 | 3.84 | 1 | 0.281 | S |
| Value of loan | 4.000 | 7.81 | 1 | 0.25 | n.s |
| Timeliness of other farm input supply | 5.143 | 3.84 | 1 | 0.281 | S |

Source: Field study 2007

Number of variables – 4, number of respondents – 60, d.f – degree of freedom, X^2C – calculated value of Chi-square, X^2t – table values of Chi-square, level of significance – 0.05, C.C – coefficient of contingency, S – significant, n.s – not significant. The chi-square test of association between the variables of the hypotheses and farmers patronage of community banks reveals that all other variables were significantly related to farmers patronage of Community Bank. $X^2C = 5.143$, $X^2t = 3.84$, $P < 0.025$ at contingency level of 0.281 respectively. While value of loan obtained was found not significantly related to farmers' patronage of community bank. ($X^2C = 4.000$, $X^2t = 7.81$, $P < 0.05$) at contingency level of 0.25.

CONCLUSION AND RECOMMENDATION

The establishment of community bank as an alternative source of credit to resource poor members of the society is a welcome idea. However, the loanable funds can only be useful if it is placed at the disposal of the potential users, and in this case, small farmers are the foremost potential beneficiaries. It is only then that the relevance of community banks in the community can be fully authenticated. It is recommended that:

- * Farmers friendly banking policy be adopted to encourage farmers patronize community banks.
- * Small farmers are encouraged to form cooperatives in order to have better access to loanable funds through the cooperative society.
- * Bank officials with significant knowledge of rural sociology be drafted to work with small farmers.
- * Community Banks to embark on more enlightenment campaign to let small farmers know the benefit derivable from community bank services.

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