



Original Research Article

Exploration of the Activities of Rural Households Participating in Village Alive Development Initiative (VADI) in Kwara State, Nigeria

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Abstract: The study examined credit sources of rural households under the Village Alive Development Initiative (VADI) scheme in Kwara State. Multi-stage sampling technique was employed to select one hundred and twenty (120) respondents. Data were collected on the various sources of credits available to rural households and how it affects their output. Data were analysed using descriptive and inferential statistics such as percentages, mean, frequency counts and chi-square. Respondents' mean age was 56 years, average household size was 5 persons, and farming experience was 7 years. Majority (50.7%) was males and married (49.3%). About average (54.5%) had secondary education while majority (87.7%) accessed credit from VADI scheme. The most critical constraint to credit accessibility was institutional bureaucracy (MS = 2.85). Age ($p = 0.014$), sex ($p = 0.013$) and source of labour ($p = 0.058$) of the respondents significantly influenced their choice of credit sources. The study concluded that the output of rural households is directly dependent on the sources of credit. Farmer friendly sources of credit should be encouraged and made available to them. Improvement in credit bureaucracies and provision of incentives for prompt repayment behavior should be ensured.

Keywords: Institutional bureaucracy Credit sources, VADI, Rural household, Income and Output.

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1.0 INTRODUCTION

Nigeria occupies a total area of 92.4 million hectares, consisting of 91.1 million hectares of land and 1.3 million hectares of water bodies. The agricultural area is 83.6 million hectares, which comprises arable land (33.8%), land permanently in crops (2.9%), forest or woods (13%), pasture (47.9%), and irrigable land or Fadama (2.4%). Despite these abundant agricultural resource,

Nigeria still remains one of the poorest countries in Africa (Adetunji, 2006). This implies that the nation's cultivable land has been highly under-utilized for the purpose of agricultural production.

Badeyi, 2002 asserted that about two-third of Nigerians are said to be poor and 80% of whom are living in rural areas and they feel dissatisfied with their present living conditions. According to

Babasanya *et al.*, 2008, over 80% of Nigeria's total agricultural produce was derived from subsistence farming activities and at the same time, rural farmers are not paid enough for their produce, whereas price for basic farming tools and other essential inputs are constantly rising beyond their reach.

Rural households often times are faced with various challenges regarding Agricultural production. Some of the challenges include but not limited to low income, large family size, lack of adequate formal education, low savings and investment, lack of access to credit facilities and use of crude farm implements. These challenges have resulted into severe hardship, poor living conditions, joblessness and even death (Olayide *et al.*, 2008).

Burgess and Pande (2003) reported that access to finance is critical to enable the poor farmers transform their production systems and thus exit poverty. Based on this, The Institute of Policy Analysis and Research, (IPAR) in 2007 asserted that inadequate access to finance and poor market information are major constraints to poverty alleviation in the rural areas.

Credit is an important support service for increased agricultural productivity (Ololade, 2013 in Okwara, Lemchi, Ohajianya, and Nwosu. 2016). Over the years, studies have observed that credit facilitates adoption of innovations, leading to increased farm productivity and income, encourages capital formation and improves marketing efficiency. In addition, it enables farmers to purchase inputs, hire labour and procure equipment and improved seed varieties for increased agricultural production. The need for credit is more severe in the rural areas, because insufficient access to credit can be link to low productivity and wide spread poverty of the rural farm households. This low productivity is purely due to the fact that they produce for subsistence consumption and a little marketable surplus.

Burgess and Pande (2003) opined that one of the major reasons why farmers are poor is as a result of inadequate access to credit. There are two major sources of agricultural credit, that is, formal and informal sources. In the formal credit, institutions that provide credit are registered by government and have to follow certain rules and regulations whereas the informal sources include those small and scattered units which are outside the control of government. The informal sources of credit to smallholder farmers as identified in the study area were family or friends, money lenders, produce buyers and farmers' cooperatives, while the formal sources of credit were Bank of Agriculture

and microfinance banks. However, for any formal or informal credit to be effective it does not only depend on its availability and accessibility but on the demand by the intended users.

Therefore, there is need to identify the sources credit of rural households participating in the Village Alive Development Initiative (VADI). The Village Alive Development Initiative (VADI) was initiated by Agricultural and Rural Management Training Institute (ARMTI) as an action oriented research which initially took off in 1995 as Village Alive Women Association (VAWA) in the communities of Idofian, Elerinjare, Jimba-oja and Kabba-owode in Kwara State (VADI, 2018). The intervention of VAWA was aimed at reducing the challenges of women in the selected communities in food processing, value addition and other farming enterprises. It was found out that women were often idle during the dry season and they experience severe food shortage resulting in extreme poverty, low productivity and the resultant effect was low income and poor standard of living.

At the initial stage in 1995, the introduction of VAWA in the communities greatly increased the productivity of community members through improved access to modern farm inputs, extension services, reduction in postharvest losses and enhanced access to credit facilities provided by the project. Unfortunately, the intervention after some years became inactive due to poor funding. ARMTI management resuscitated the project as the Village Alive Development Initiative (VADI) in 2011 and the concept was changed to include Men, Women and Youths as beneficiaries (VADI, 2018).

Credit inadequacy has been a problem militating against the development of the rural farmers in the world at large and Nigeria in particular. This inadequacy is caused by a number of factors which include the part of farmers' lack of knowledge of the sources of credit. The credit inadequacy has been a major problem militating against the effectiveness and development of rural households under the VADI scheme in Kwara State. Farmers on their own are unwilling to procure credit from banks because of bureaucratic procedures, high cost of bank credit, untimely disbursement of credit, proximity to credit and lack of collateral security. Thus there is the need to increase the credit sources available to rural households under the VADI scheme in Kwara State to help break this vicious cycle of poverty that exists among them and thereby improve their socio-economic well-being. This study therefore becomes pertinent in view of the foregoing issues to assess the credit sources of rural households under the

village alive development initiative (VADI) scheme in Kwara State. The specific objectives are:

- Describe the socioeconomic characteristics of rural households in VADI scheme in Kwara state;
- Identify the credit facilities available to the rural households under the VADI scheme in Kwara state;
- Examine the effect of credit on rural households' production in the study area;
- Examine the constraints to accessibility of credit faced by rural households in the study area.

Hypothesis

Ho1: There is no significant relationship between access to credit and socioeconomic characteristics of the rural households in the study area.

2.0 METHODOLOGY

The study was carried out in Kwara State, Nigeria. Kwara State lies on latitudes 11° 2' and 11° 45'N, and longitude 2° 45' and 6° 4'E (National Population Commission, 2016). It covers a land area of about 32500km². It is bounded in the north by Niger State, in the south by Oyo, Osun and Ekiti States and in the east by Kogi State. It also has an international boundary in the west with the Republic of Benin. The seasonal pattern of the state is dual; with dry and wet seasons with the wettest months occurring usually between July and September. Monthly rainfall varies between 50.8mm and 241.3mm levels with the annual mean rainfall between 745.5mm and 1,409.2mm. Average atmosphere temperature is between 18°C and 35°C. Kwara state has 24 forest reserves covering 5,087.2sq km (National Population Commission (NPC), 2016). A multi-stage sampling procedure was employed for the study. The first stage involves a purposive selection of the two local government areas (Ifelodun and Ilorin South) where VADI programme is in operation in Kwara State. The second stage involves a random selection of three (3) communities out of twelve (12) participating communities in Ifelodun LGA while three (3) communities were also selected out of eleven (11) participating communities in Ilorin South LGA. In Ifelodun LGA, Elerinjare, Jimba-oja and Amoyo communities were randomly selected while in Ilorin South, Fufu, Omomere-oja and Apa-ola communities were randomly selected. The third stage involves a random selection of twenty-five percent (25%) from the list of participants in each of the six (6) selected communities, totaling one hundred and twenty (120) respondents.

The data for the study were collected using a structured questionnaire and interview schedule with the aid of well-trained enumerators. All the

objectives were analyzed using frequency counts, percentages, means score, and standard deviation. The inferential statistics was analyzed using Chi-square analysis. All the 120copies of the questionnaire were administered; however, only 110 were properly completed and returned. As a result, an amazing respondent rate of 91.7% from the respondents was recorded.

3.0. RESULTS AND DISCUSSION

3.1. Socio-Economic Characteristics of Respondents

The results (Table 1) revealed that 41.82% of the respondents were in the age range of 41-50 years, followed by age range 31-40, representing 30.91%, and 51 years and above represents 16.36%. The lowest is the age bracket of 30 years and below, representing 12% of the population size. Hence, the mean age of the respondents is 42.7, indicating that they could have easy access to credit facilities because they are still at their productive age. People within this age range constitutes the active work force and tend to make vital impact in agricultural production, processing and technological development (Akinbile, 2007; Enitan, 2010).

Majority (50.9%) of the respondents are male, while 49.1% are female. The educational qualification of the respondents revealed that 54.55% of the respondents attained secondary school education. This shows that more than half of the respondents were farmers with secondary school leaving certificate, and 2.73% of the respondents attained tertiary education. This could be a major factor to consider while addressing farmers' opinion on the sources of credit. The marital status distribution of the respondents revealed that a good number (65.45%) of the respondents in the sampled population are married. In lieu, the opinion generated by this research work would be mainly influenced by the married persons, as a significant percentage (65.45%) of the respondents is married. This shows that the respondents are largely responsible and will repay credit acquired as at when due.

Household size is 4-6 persons (61.81%). The average household size of the respondents is 5 and this may influence the expenditure or investments of the credit obtained. The farming experience is 5-8 years (44.54%). The average farming experience is 7 years; this is exactly about the time VADI intervened (2012) in the study area, this may imply that VADI encouraged more people particularly in the active age to join farming. More so, this experience will help them in accessing credit from different sources. Many (49.1%) of the respondents employed hired labour for their farming activities while, 39.1% of the respondents

used family labour, and those that use both family and hired labour are 11.8%.

Table 1: Distribution of respondents’ socio-economic characteristics (n = 110)

Variable	Category	Frequency	Percentage
Age (years)	≤ 30	12	10.91
	31 – 40	34	30.91
	41 – 50	46	41.82
	≥ 51	18	16.36
Mean Age	42.7		
Sex	Male	56	50.90
	Female	54	49.09
Education	No Formal	5	4.55
	Primary	30	27.27
	Secondary	60	54.55
	Tertiary	3	2.73
	Adult Education	12	10.91
Marital Status	Single	25	22.72
	Married	54	49.10
	Widowed	31	28.21
	Divorced	0	0
Household Size	1-3	12	10.90
	4 – 6	68	61.81
	7 – 9	28	25.45
	> 9	2	1.82
Years of Farming	1-4	21	19.09
	5-8	49	44.54
	>9	40	36.36
Source of Labour	Family	43	39.09
	Hired Labour	54	49.09
	Both	13	11.82

Field Survey, 2021

3.2. Distribution of Respondents’ According to Credit Sources

Table 2 revealed that 87.27% of the respondents agreed to have their credit sources from VADI, 75.45% of the respondents agreed to be financing their farming activities from loans from family and friends, while 40.91% uses microfinance

banks. The least represented by the respondents are other informal credit institutions such as esusu, ajo, thrift etc. representing 20.91%. The result showed that the respondents preferred credit from VADI to finance their agribusinesses, meaning that VADI has a friendlier approach and is grassroots based.

Table 2: Distribution of Respondents according to Credit Sources

	Credit sources	
	Frequency	Percentage
VADI	96	87.27
Micro-Finance Bank Credit	45	40.91
Family and Friends	83	75.45
Other informal credit institutions	23	20.91

Field Survey, 2021

3.3. Distribution of Respondents According to Constraints to Accessibility of Credit from Formal Credit Institutions

Table 3 revealed that majority (85.45%) of the respondents reported that Institutional bureaucracy is a constraint to accessing credit facility, while 73.63% said high interest rate is a constraint. 71.81% opined that lack of financial track

record is the major constraint to credit accessibility. 70.00% of the respondents opined that poor loan information is a constraint, 64.45% blamed it on lack of collateral. The result implied that respondents have different constraints limiting their access to credit facilities. This could be the reason for the choice of farmers’ preference on VADI to formal credit sources in table 2.

Table 3: Perception of Respondents According to Constraints of Accessibility to Credit

Constraints	SA	A	U	D	SD	Mean
Lack of Collateral	72(64.45)	15(13.64)	12(10.91)	11(10.0)	0(0.0)	4.345
Lack of Financial Track Record	79(71.81)	12(10.91)	0(0.0)	10(9.09)	9(8.18)	4.291
Inability to write business plan	45(40.90)	12(10.91)	4(3.64)	38(34.55)	11(10.0)	3.382
Poor Savings Habit	61(55.45)	23(20.91)	2(1.82)	14(12.73)	10(9.09)	4.009
Poor Usage of Financial Services	65(59.09)	24(21.82)	0(0.0)	8(7.27)	13(11.82)	4.091
High Interest rate	81(73.63)	13(11.82)	13(11.82)	3(2.73)	0(0.0)	4.564
Poor Loan Information	77(70.0)	18(16.36)	0(0.0)	5(4.55)	10(9.09)	4.336
Institutional Bureaucracy	94(85.45)	6(5.45)	1(0.91)	4(3.64)	5(4.55)	4.636
Lack of Third Party Guarantees	60(54.55)	29(26.36)	7(6.36)	10(9.09)	4(3.64)	4.191

Field Survey, 2021

Note: *Multiple Responses.

3.4. Distribution of Respondents according to farmers' access to credit and output on production

Result in Table 4 revealed that majority (86.36%) of respondents reported that their access to credit improves their farm output, 66.96% of the respondents reported that access to credits

increases their standard of living. Similarly, socio-economic characteristics and expansion to other market factors stood at 34.19% and 42.86% respectively. From the above, it is clear that access to credit improves farmers output and standard of living significantly.

Table 4: Perception of Respondents According to farmers' access to credit and output on production

Variables	SA	A	U	D	SD	Mean
Does Credit Increase output	95(86.36)	12(10.91)	0(0.0)	3(2.73)	0(0.0)	4.809
Does Credit Improve Farmers' Standard of living	75(66.96)	15(13.64)	10(8.93)	10(8.93)	0(0.0)	4.409
Does Credit Improve Farmers' socio-economic characteristics	40(34.19)	34(30.91)	6(5.45)	25(22.73)	10(8.93)	3.764
Does Credit Help to expand access to other market	48(42.86)	37(33.64)	11(10.0)	14(12.73)	0(0.0)	4.082

Field Survey, 2021

Note: *Multiple Responses

Hypothesis Statements

H₀ ---- There is no significant relationship between access to microcredit and socioeconomic characteristics of the farmers.

and household size. Hence, the null hypothesis is declined/rejected and we accept the alternative hypothesis that states that, there is a significant relationship between access to credit and socio-economic characteristics of the farmers.

From the Table, all variables tested using chi-square prove significant except marital status

Table 5: Relationship between access to credit and socio economic characteristics of the farmers

Social Economic factors	X2- Value	Df	Assym. Significant	Decision
Age of the Respondents	10.655	3	0.014	Significant
Marital Status of the Respondents	2.218	3	0.528	Insignificant
Sex of the Respondents	6.145	1	0.013	Significant
Level of Education	4.000	4	0.016	Significant
Household Size	1.055	3	0.788	Insignificant
Farming Experience	3.636	4	0.045	Significant
Source of Labour	5.691	2	0.058	Significant

Field Survey, 2021

4.0 SUMMARY OF FINDINGS

Based on the findings of the research, the following inferences were drawn;

1. The outcome of the study revealed that rural households in the study area are

mostly and are in their active age of production and are educated up till secondary school level with average household size of 5. They are mostly full time farmers with small to medium farm

- holdings, who sourced credit mainly from VADI.
2. The most critical constraint to credit accessibility from formal sources was institutional bureaucracy.
 3. The study asserts that the output of rural households is directly dependent on the sources of credit.
 4. This study has proved with empirical evidences that there exists a significant relationship between socio-economic characteristics of farmers and access to credit. This means that factors such as age, sex, level of education and years of farming experience have significant influence on farmers' access to credit.
 5. The study establishes that there is a relationship between access to credit and farmers' output (Proxy by income). This means that credit enables farmers to have increased output which in turn leads to higher income.

5.0 CONCLUSION

The study concluded that rural households in the study area have continued to patronize VADI and family members more than the formal credit institution such as microfinance banks. Variables such as age, sex and household size were key determinants of credit access in the study area.

6.0 RECOMMENDATIONS

The research recommended that:

1. There should be a deliberate policy to ensure that rural farmers have access to adequate credit facilities. This, no doubt, will go a long way to boost the production capacity of the farmers, thereby increasing their farm income. To achieve it, deliberate policy to ensure peasant farmers acquisition of agricultural credit should be put in place. Long term solutions should be provided by government at all levels to solve the recurrent problem of bureaucracy in accessing credit, high interest rate and absence of collateral as farmers' constraints to production credit.
2. VADI credit model should be further studied and identify best practices that can be replicated by credit institutions in Nigeria.
3. Credit sources should be diversified and void of socio-economic characteristics biases so as to reduce the bottlenecks of farmers' access to credit.
4. More incentives should be given to rural households so as to attract the participation of youth in farming with the aim of harnessing the full benefits of agriculture.

5. In line with the finding of this study, it is recommended that financial institutions, such as agricultural and micro finance banks, should be established in the rural areas. The procedures for securing loans should also be streamlined in order to make it simple for the farmers.
6. Extension agents should be employed, trained and deployed to the study area to increase farmer's awareness on friendly credit sources.
7. Awareness campaign through various procedures such as media should be done to arouse the farmers' initiative on the effective, efficient use of credit facilities.
8. Development partners, CBN, NAIC and NGOs in agriculture should be called upon to help collaborate with the VADI model that seems to be more friendly to rural households in the study area in financing sharing risks associated with cassava farming to allow more access to credit facilities in the study area.

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