



Determinants of Access to Credit among Goat Traders in Atiba Local Government Area of Oyo State

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Abstract

Access to credit in goat trading profoundly affects local economic growth and comprehending influencing factors is critical for trader empowerment. The study examined the determinants of access to credit by goat traders in Atiba Local Government Area of Oyo State. A simple random sampling technique was used to select 140 goat marketers in Atiba Local Government Area. A structured interview schedule and questionnaire were used to elicit responses from respondents. Data were analyzed using descriptive and inferential statistics at $p = 0.05$. Goat marketers/traders were, on the average, 39 years of age, predominantly male (74.3%), married (64.3%), crop farmers (72.1%), and had attained some levels of education (57.9%), with a mean of 6 years of education. They earned between 200,001-500,000 naira annually (49.3%) and had membership in a cooperative society (98.6%). However, 44.3% of the respondents had been members of a cooperative society for 1-5 years, with a mean of 6 years, and 85.0% of the respondents had access to credit. Family and friends (77.1%), cooperative societies (76.4%), contributions (73.65%), and the goat traders association (66.4%) were the most common sources of credit for goat traders, while community banks were the least patronized source of credit (20.0%). The constraints encountered by the goat traders in credit acquisition were primarily related to a lack of management skills (2.28), a lack of collateral security (2.21), and a low level of literacy (2.19). Regression analysis revealed that age ($\beta = -0.111$, $p < 0.05$), educational level ($\beta = 0.688$, $p < 0.05$), years in the cooperative ($\beta = 0.042$, $p < 0.05$), and constraints ($\beta = -0.178$, $p < 0.05$) significantly determined access to credit by goat traders. Efforts by the government should be directed towards policy arrangements that better enhance factors (such as age education and constraints encountered in credit acquisition) influencing farmers' decisions to use agricultural credit and there should be a focus on sensitizing goat traders on how to improve their managerial skills.

Keywords: Accessibility; Goat traders; Collateral security; Contribution

Introduction

Goat farming is one of Nigeria's major sources of protein for her populace and the world as a whole. Nigeria has a population of about 34.5 million goats, 22.1 million sheep, and 13.9 million cattle (Lawal and Adebawale, 2012). Goat traders are either farmers or individuals who buy and sell goats. Goat production over the years has been one of the primary means of improving the livelihoods of poor livestock keepers, reducing poverty, and achieving sustainable agriculture and universal food security (Abegaz *et al.*, 2013). Goats provide sources of lean meat, milk, and manure for crop farming. Their skins are used for leather production in Northern Nigeria. Goat production constitutes a vital part of the rural economy, with more than 95% of rural households rearing goats. It ranks next to cattle in income generation and economic sustenance (Nwachukwu and Berekwu, 2020).

Agricultural credit refers to the amount of investment funds made available for agricultural production from sources outside the farm sector. Farmers and traders are particularly in need of such instruments (i.e., credit) due to the seasonal nature of their activities and the significant uncertainty they face (Ololade and Olagunju, 2013). Temesgen *et al.* (2018) stated that access to credit is considered one of the key elements in achieving the transformation plan and is an important factor in economic development for higher growth in the agricultural sector. Ololade and Olagunju (2013) further observed that despite the importance of credit to farmers, they still face challenges in acquiring it, which often discourages them and hinders efforts to increase farm produce. Studies have shown that farmers and traders struggle to access credit, which is crucial for the rapid development of livestock production. The lack



of credit facilities has been identified as the major constraint faced by farmers when trying to expand their economic activities and improve their living conditions (Obisesan, 2013). As essential as the goat enterprise is to the Nigerian rural economy, several factors have been identified as obstacles to its profitability. These factors include untimely release of funds, lack of or inadequate access to credit, and unfavorable credit conditions. There appears to be a shortage of literature on the determinants of access to credit among goat traders. It is against this backdrop that this study investigated the determinants of access to credit among goat traders in Atiba local government area of Oyo State and provided answers to the following research questions:

1. What are the socioeconomic characteristics of the goat traders in the study area?
2. What are the sources of credit available to the goat traders in the study area?
3. What constraints are encountered by the goat traders in acquiring credit in the study area?
4. What factors influence access to credit in the study area?

The general objective is to analyse the determinants of access to credit among goat traders in Atiba Local Government Area of Oyo State. The specific objectives are to:

1. describe the socioeconomic characteristics of the goat traders in the study area;
2. ascertain the sources of credits available to the goat traders in the study area;
3. identify constraints encountered by the goat traders in credit acquisition in the study area;
4. identify the factors influencing access to credit in the study area.

Methodology

The study area is Atiba Local Government Area of Oyo State. Its headquarters is in the town of Offa Meta. Atiba Local Government Area of Oyo State is situated in the southwestern part of Nigeria and northeastern part of Oyo state. It is one of the local governments created from Old Oyo Local Government in 1998. Politically, it is in Oyo State in Southwestern part of Nigeria. It

shares border with Oyo East and Ori-Ire local governments in the South-West, and Orolupe and Olorunsogo in the North-West, in the North-East, it shares borders with Atisbo and Saki East while in the South-East, it shares border with Oyo West and Itesiwaju local government areas. The population of the study consisted of all registered goat traders/marketers affiliated with the Goat Traders Association in Atiba Local Government Area of Oyo State. A list of registered goat traders was obtained from the Goat Traders Association at the Atiba LGA Secretariat, which indicated a total of 200 registered goat traders. To select the sample, a random sampling technique was employed, targeting 70 percent of the goat traders from the list provided by the LGA. Consequently, a sample size of 140 goat traders was chosen to participate in this study. Data were collected through the use of structured questionnaires and interview schedules. The variables measured included socioeconomic characteristics and the source of credit used, which was operationalized with binary options (yes or no) and assigned scores of 1 and 0, respectively. Additionally, constraints affecting their access to credit were assessed using a three-point scale: not a constraint, mild constraint, and severe constraint, with scores of 0, 1, and 2 assigned, respectively. Weighted mean scores were calculated to determine the extent to which the various constraint items were considered severe. Data analysis involved descriptive statistics such as frequency counts, percentages, and mean scores. Furthermore, inferential statistics, including multiple regression analysis, were used to test the hypotheses of the study. The multiple regression model was employed to examine the influence of explanatory factors or variables on the dependent variable.

The model is expressed as:

$$Y = a + \beta_1 X_1 + \dots + \beta_n X_n + e$$

Y = factors affecting access to credit
(Dependent variable)

a = constant term or intercept.

$\beta_1, \beta_2, \dots, \beta_n$ = regression coefficient

$X_1, X_2, \dots, X_n$ = regression parameters; and e = error term

The regression parameters that are included in the model are:

X 1 = age (years)

X 2 = sex (male =1, female =0),



X₃ = marital status (married =1, otherwise=0)
X₄ = educational level (formal education =1, otherwise=0)
X₄ =annual income (years)
X₆ =secondary occupation, (crop farming=1, otherwise=0)
X₇ =cooperative society membership,
X₈ =years in cooperative,
X₉ =access to credit,
X₁₀ = constraints_scores.

Results and Discussion

Socioeconomic Characteristics of Respondents

The age distribution of the respondents, as presented in Table 1, showed that the mean age was 39 years, indicating that the goat traders were in their productive and youthful age. Age is an important factor linked with production efficiency in agriculture. Most (74.3%) of the respondents were male, while 25.7% were female. This implies that males were more involved in goat trading in the study area. Likewise, most of the respondents (64.3%) were married. The large proportion of married participants highlights the importance of the institution of marriage in the area, implying that there are more responsible adults in the study area. The study revealed that 42.1% of the respondents had no formal education, 27.1% of them had primary education, 20.7% of them had secondary education, while 10.0% of them had tertiary education, with a mean of 6 years of education. Although 57.9% of the respondents had some forms of education, the highlighted 42.1% low literacy rate could be a stumbling block to the goat traders' accessibility to tangible credit for their business. This is based on empirical evidence suggesting that farmers' level of education is a significant factor affecting their access to credit from formal financial institutions (Awotide *et al.*, 2015).

A little below the average (49.3%) of the respondents earned between 200,001 and 500,000, 21.4% of them earned between 500,001 and 800,000, 25.0% of them earned less than 200,000, while 4.3% of them earned above 800,000 with mean annual income of 398,557 naira. This implies that the respondents made a considerable income annually but still lived below \$1.90 per day, indicating that they were living below the poverty line. The results on secondary occupation reveal that the majority (72.1%) of them were crop farmers, 14.3% were livestock farmers, 10.0% were traders, and 3.6% were artisans. The results on membership in cooperative societies revealed

that the majority (98.6%) of the respondents belonged to a cooperative society. The number of years in the cooperative revealed that the majority (44.3%) of the respondents had been in the cooperative society for 1-5 years, with a mean of 6 years. Also, 20.7% of them had been in the cooperative for 6-10 years, 17.9% had been in the cooperative society for more than 10 years, while 17.1% had never been a member of a cooperative society. Findings on respondents' access to credit revealed that 85.0% of the respondents had access to credit, while 15.0% did not. This is in line with Akintunde and Jimoh (2021), who reported that the majority (80.8%) had accessed credit in one way or another.

Table 1: Distribution of respondents based on socioeconomic characteristics

Socioeconomic characteristics		Percentage	Mean
Age :			
Below 30	45	32.1	39.19
31-60	83	59.3	
Above 60	12	8.6	
Sex:			
Male	104	74.3	
Female	36	25.7	
Marital status:			
Single	36	25.7	
Married	90	64.3	
Divorced	10	7.1	
Widowed	4	2.9	
Educational level:			
Non-formal education	59	42.1	4.68
Primary education	38	27.1	
Secondary education	29	20.7	
Tertiary education	14	10.0	
Annual income in naira:			
Less than 200,000	35	25.0	398,557
200,001-500,000	69	49.3	
500,001-800,000	30	21.4	
Greater than 800,000	6	4.3	
Secondary occupation:			
Livestock farming	20	14.3	
Crop farming	101	72.1	
Trading	14	10.0.	
Civil servant	1		
Artisan	5	3.6	
Membership of cooperative society:			
Yes	138	98.6	
No	2	1.42	
No of years in cooperative society:			
Less than 1	24	17.1	5.81
1-5	62	44.3	
6-10	29	20.7	
Above 10	25	17.9	
Access to			



credit:

No	21	15.0
Yes	119	85.0

Source: Field survey, 2023

Sources of credits available to the goat traders

The results in Table 2 revealed the sources of credit available to goat traders. Family and friends appeared to be the most common sources of credit for goat traders, as 77.1% of the respondents claimed to obtain credit from them. The significance of this is corroborated by the findings of Akinagbe and Adonu (2014), who reported that most farmers access credit through their friends and relations. Likewise, the majority of the respondents (76.4% and 73.65%, respectively) obtained their credit from cooperative societies and contributions while 66.4% obtained their credit from the goat traders' association. Additionally, 46.4%, 38.6%, 37.9%, and 35.0%, respectively received their credits from money lenders, commercial banks, banks of agriculture, and microfinance banks, while the least patronized source of credit was community banks (20.0%). The result regarding community banks corroborates the findings of Akintunde and Jimoh (2021) that community banks were the least patronized source of credit.

Table 2: Distribution of respondents based on sources of credits available

Sources of credits	Frequency	Percentage
Family and Friends	108	77.1
Microfinance banks	49	35.0
Co-operative Society*	107	76.4
Goat trader association*	93	66.4
Bank of Agriculture*	53	37.9
Money Lenders	65	46.4
Community banks	28	20.0
Contribution*	103	73.5
Commercial banks	54	38.6

*Multiple responses

Source: Field survey, 2023

Constraints encountered by the goat traders in credit acquisition

The constraints encountered by goat traders in credit acquisition were explored using weighted mean scores and the grand mean. The results in Table 3 show constraint items according to their severity, as reported by the

respondents. The constraints that were mostly encountered by the respondents were those related to a lack of management skills (2.28) and a lack of collateral security (2.21). This finding aligns with Ololade and Olagunju (2013) who observed that the majority (73.3%) of rural farmers acknowledged a lack of collateral security as the major problem they face. Substantiating this, the finding of Adebayo (2018) established that a lack of collateral/guarantor was the highest-ranked constraint for cassava farmers in accessing credit. Similarly, a low level of illiteracy (2.19) and the distance of the enterprise from credit institutions (2.15) were identified as significant constraints. This observation aligns with Isiaq *et al.* (2019) finding that the distance of the loan source (73%) was one of the constraints encountered by goat traders in credit acquisition. Other constraints included flock size (2.02), mode of repayment (1.99), the challenge of seeking a guarantor (1.95), and inadequate information about credit sources (1.85).

Table 3: Distribution of respondents based on constraints encountered in credit acquisition

Constraints	Not a constraint	Mild constraint	Severe constraint	WMS	Rank
Lack of collateral security	46 (32.9)	78 (55.7)	16 (11.4)	2.21	2 nd
Challenge of seeking guarantor	34 (24.3)	65 (46.4)	41 (29.3)	1.95	8 th
High Interest rate	39 (27.9)	78 (55.7)	23 (16.4)	2.15	5 th
Distance of enterprise from credit Institution	47 (33.6)	68 (48.6)	25 (17.9)	2.15	4 th
Flock Size	43 (30.7)	58 (41.4)	39 (27.9)	2.02	6 th
Inadequacy of information about credit sources	18 (12.9)	84 (60.0)	38 (27.1)	1.85	9 th
Mode of Repayment	26 (18.6)	87 (62.1)	27 (19.3)	1.99	7 th
Low literacy level	45 (32.1)	77 (55.0)	18 (12.9)	2.19	3 rd
Lack of management skills	66 (47.1)	48 (34.3)	26 (18.6)	2.28	1 st

WMS- Weighted mean score, Grand mean: 2.08

Source: Field survey, 2023



Determinants of factors affecting access to credit among goat traders

Regression analysis in Table 4 revealed the determinants of access to credit among goat traders. The R-squared value (0.455) obtained indicates that the regression model explains 45.5% of the factors influencing access to credit among goat traders. The results indicated that age ($\beta = -0.111$, $p < 0.05$), educational level ($\beta = 0.688$, $p < 0.05$), years in the cooperative membership ($\beta = 0.042$, $p < 0.05$), and constraints ($\beta = -0.178$, $p < 0.05$) significantly determine access to credit for goat traders. This implies that age, educational level, years in the cooperative, and constraints determine respondents' access to credit. The results also revealed a negative and significant relationship between credit access and age. This suggests that as respondents' age increases, the probability of accessing credit decreases. This finding aligns with the research conducted by Obisesan (2013) and Adegbite and Adeleye (2011), which also found a significant but negative effect of age on access to credit. The significance of educational level implies that a higher level of education increases the probability of access to credit. In other words, the more educated individuals are, the more likely they are to access credit. The significance of the number of years as a member of the cooperative is justified, as it indicates that as respondents' years of membership in the cooperative increase, the probability of accessing credit also increases. The results regarding constraints support the *a priori* expectation that constraints affect access to credit. This implies that the more constraints goat traders face, the lower their access to credit. This suggests that an increase in constraints could lead to financial stress and ultimately reduce goat traders' access to credit.

Table 4: Regression analysis on determinants of factors affecting access to credit among goat traders

Variables	β	t-value	p-value	Remark
Constant		8.760	.000	
Age	-.111	-1.242	.002	Significant
Sex	.040	.404	.687	Not Significant
Marital Status	-.021	.206	.837	Not Significant
Education-level	.062	.688	.004	Significant
Annual-income	.058	-.632	.529	Not Significant

Occupation	.112	1.195	.234	Not Significant
Cooperative society membership	-.187	1.778	.078	Not Significant
Years in cooperative	.042	-.400	.006	Significant
Access to credit	-.047	.504	.615	Not Significant
Constraints_scores	-.178	-3.712	.007	Significant

R- value = 0.411, R Square = 0.455, Adjusted R square = 0.65, Standard error of the estimate = 12.716

Source: Data analysis, 2023

Conclusions and recommendations

In conclusion, the study highlights the importance of addressing the educational needs of goat traders to improve their access to credit. It also emphasizes the role of cooperative societies in facilitating access to credit. Moreover, addressing constraints, especially those related to management skills and collateral security is crucial to enhancing access to credit among goat traders in the study area. The study recommends that efforts by the government should be directed towards policy arrangements that better enhance factors such as age, education and constraints influencing farmers' decisions to use agricultural credit. Also, there should be a focus on sensitizing goat traders on how to improve their managerial skills, targeted financial literacy training programs for goat traders should be implemented. Alternative collateral options like group guarantees or livestock should be explored, and government agencies and NGOs should be involved in disseminating information about available credit options and application processes.

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