

The Effect of Farm Credits on Crop Production

In Jambalul, Afgoia –Somalia

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Abstract: Farm credit plays a pivotal role in agrarian and rural development as it allows farmers gain economies of scale, venture into new fields of production, engage new technologies and enable them to provide utilities for a broadening market so this paper aims to examine the effects of farm credits on crop production in Jambalul, Afgoia and to find out the magnitude of the farm credit services with the findings in Jambalul, Afgoia, and Lower Shebelle in Somalia.

A survey research method has been adopted to examine the effects of farm credits on crop production in Jambalul, Afgoia. The data were collected through questionnaires filled by the respondents and the survey respondents were asked to rate eighteen questions developed from the three objectives of the study.

The results indicated that farm credits is an important tool for the production of crops through providing of loans and setting stable rural economic community. Farm credits improve the living standard of farmers by increasing their yielding and reducing the poverty.

Finally the study recommends that farm credit services should be expanded to reach all the needy farmers and micro-credit institutions should be opened in the rural areas for easy utilization of the farm credits.

Keywords: farm credits, crop production, Effects

1. Introduction

The main aim of millennium development objectives is the annihilation of life-threatening poverty and hunger. For the goals to be reached, sectors of the economy like the manufacturing and agricultural regions need to be developed (Madugu, A.J & Bzugu., 2012)

The old rural funding model of the 1960s and 1970s was centered on public authorities' desire to assist access to rural finance. The goal was to improve agricultural development by reforming agriculture. The major common method involved direct government intervention via state-owned development banks and direct donor intervention in credit markets with favorable terms and conditions like soft interest rates or lenient guarantees (Eliasu nuhu et al, 2014)

Nevertheless that this system was expensive and unsustainable, due to poor reimbursement, and eventually did not have the anticipated outcome on the progress of agriculture production argued by (Morvant-Roux, 2007)

Despite the great expectations related with the strong growth of the farm-credit sector, it soon became strong that the supply of farm credits for agrarian activities was marginal at finest and poorly revised. At the same time, with the liberalization of the economic sector, commercial banks did not pick up the slack of former government-led interventions in rural regions; many banks actually closed their rural subdivisions (Eliasu nuhu et al, 2014)

Africa in which Agriculture is the backbone of economy, the evolution of agricultural credits emerged after the great demand of increasing the African production, for example in Kenya, Agricultural marketing by co-operatives was strengthened and encouraged by the government to support the smallholder farmers. In 1970 rural development policies were adjusted. The role of co-operatives was redefined and widened (Carina Söderlund & Jennie Öberg, 2001)

In Somalia where agriculture is one of prime drivers for national economy, Barwaqo Bank in Bosaso has joined a partnership with International Fund for Agricultural Development (IFAD) and Bid Network through Somali Agri-food by providing exciting initiative to empower Somali famers – which will give them access to finance through the facilitation of loans between USD 20,000 – 200,000(Barwaaqobank, 2011)

Also in the south, International Bank of Somalia (IBS) and some of export merchants have launched new model of investing farmers in Afgoia by giving loans of tractors and farm machineries therefore, this study investigates the effects of farm credits on crop production in Jambalul, Afgoia and to find out the magnitude of the farm credit services with the findings in Jambalul, Afgoia, and Lower Shebelle in Somalia.

2. METHODOLOGY

The study was conducted through descriptive study; the descriptive research approach is a basic research method that examines the situation, as it exists in its current state. Descriptive research involves identification of attributes of a particular phenomenon based on an observational basis (Williams C. , 2007).the study was employed the quantitative method. This is because the quantitative method is an appropriate methodological tool in investigating empirical and theoretical relationship between variables (Eliasu nuhu et al, 2014)

This study mainly focused all those farmers targeted by credit which were infinite and unknown but the characteristics of the target population of this study were the farmers who receive credit and study population was 100 credit-taking farmers in Jambalul, Afgoia and the researchers selected 80 respondents as the sample size. The data for the study was collected mainly through survey questionnaire.

3. FINDINGS

a. Profile of Respondents

The profile of respondents was analyzed and presented the following tables. It contained sex, age, and education qualifications.

Sex	Frequency	Percentage %
Male	54	67.5%
Female	26	32.5%
Total	80	100%

Source: *Survey Data 2016*

The respondents were 67.5% male, and 32.5% Female. This emphasizes that the male contributed more than the female in the study.

Age	Frequency	Percentage %
20-39	41	51.2%
40-59	30	37.5%
60 above	9	11.2%
Total	80	100%

Source: *Survey Data 2016*

51.2% of the respondents are at the age of 20-39, **37.5%** of the respondents are at the age of 40-59, Respondents above sixty were **11.2%**, and thus this point out that majority of the respondents aged of between 20-39.

Educational Qualifications	Frequency	Percentage %
No school	40	50.0%
Primary	26	32.5%
Secondary	13	16.2%
Bachelors	1	1.2%
Total	80	100%

Source: *Survey Data 2016*

50.0% of the respondents were no school which indicated that the majority of the farmers didn't attend any kind of school or education.

4. The Magnitude of Farm Credit Service in Jambalul, Afgoia.

N0	The Magnitude of Farm Credit Service	Mean	Standard deviation	Interpretation
Q1	Credit facility enables poor to engage in employment projects that generate income	3.71	0.45	Very High
Q2	Credit facility is a processes of giving loan service that promotes crop productivity`	3.70	0.47	Very High

Q3	Credit facility is considered to be an important factor for development of small scale farmers	3.75	0.43	Very High
Q4	Sufficient access to farm credit solves farmers constraints of production	3.72	0.44	Very High
Q5	Credit accessibility affect positively the purchasing power of the farmers	3.79	0.41	Very High
Q6	Access to farm credit improves resources use of farmers	3.80	0.40	Very High
Mean index		3.74	0.43	Very High

Source: Primary data, 2016

The results (Table above) indicate farm credits plays a greater magnitude and the respondents agreed that Farm credit encourages agricultural crop production. The study also emphasized that Farm credit increases agricultural production. The evaluation of the magnitude of farm credit service was very high. It was **3.74** and this was emphasized by the respondent's satisfaction with the standard deviation of **0.43**.

5- The Effect of Farm Credit on Farmers' Welfare

N0	The Effect of Farm Credit on Farmers' Welfare	Mean	Standard deviation	Interpretation
Q1	Difficulties in accessing farm credit in rural areas unfavorable causes poor economic growth and loss of output	3.81	0.39	Very High
Q2	Credit efficiency boosts the capital investment of the farmers	3.74	0.44	Very High
Q3	Credit efficiency improves the welfare of the farmers	3.74	0.44	Very High

Q4	good agro-economic growth occurs as result of access to credits	3.81	0.39	Very High
Q5	farm credits contribute to socially and economic stable rural society	3.87	0.33	Very High
Q6	farm credits not only increase the productivity but also education level and farm technology of the farmers	3.60	0.51	Very High
Mean index		3.76	0.41	Very High

Source: Primary data, 2016

The results (Table above) point out that accessible farm credit in rural areas boosts economic growth and reduces loss of output. Also making Credit efficient boosts the capital investment of the farmers and improves the welfare of the farmers. Majority of the respondents strongly agreed that the Farm Credits enhances Farmers' Welfare as emphasized by the mean which reached **3.76** and the standard deviation of **0.41**.

6- The Level of Crop Production Due to Farm Credit in Jambalul

N0	The Level of Crop Production Due to Farm Credit	Mean	Standard deviation	Interpretation
Q1	Farm credit creates more productive small scale farmers	3.91	0.28	Very High
Q2	Credit taking farmers always produce more than non-credit takers	3.30	0.73	Very High

Q3	Better efficiency of the farm credit lead to better crop production	3.93	0.24	Very High
Q4	Proper farm credit directly alleviates the rural poverty	3.87	0.33	Very High
Q5	Farm credit may sometimes create self-employment of the poor	3.87	0.33	Very High
Q6	Farm credits contributes food and creates food secure environment	3.74	0.44	Very High
Mean index		3.77	0.39	Very High

Source: Primary data, 2016

The results (Table above) show that with the availability of farm credits, more productive small scale farmers are created and also that credit taking farmers always produce more than non-credit takers. Proper farm credit directly alleviates the rural poverty. This was emphasized by the respondent's satisfaction as the mean reached **3.77** and the standard deviation of **0.39**.

7- DISCUSSIONS

The results indicated that farm credits is an important tool for the production of crops through providing of loans and setting stable rural economic community. Farm credits improve the living standard of farmers by increasing their yielding and reducing the poverty.

The results supported the findings of (Ahmed, 2011) his study examined the Impact of Institutional Credit on Agricultural Output in Pakistan. The study showed show that directly farm credit has positive relation with agricultural output and has significant impact on socio economic status of

the farmers and, practically, there is sense of the direct use of credit. Credit always helps to buy various inputs for this sector.

The study recommends the base of agriculture credit should be enhanced to the large proportion of rural population; especially small farmers should be focused by commercial banks and to make the loan more productive special instructions and supervision should be carried out by loan issuing authorities.

According to Mir Kalan Shah et al, (2008) which investigated the impact of agricultural credit on farm productivity and farmers' income in mountainous agriculture in Pakistan showed that there is positive relationship between farm productivity and agricultural credit. Similar relationship was found with income of the sample farmers.

This relationship could be attributed to the timely availability and application of the required inputs due to obtaining of the loan. In the light of these findings it is recommended to review interest rate and further simplify the procedure for obtaining credit advanced by credit institutions.

8- CONCLUSIONS

The main objectives of the study were to examine the effects of farm credits on crop production in Jambalul, Afgoia and to find out the magnitude of the farm credit services with the findings.

The results revealed that the farm credits are significant for all farmers particularly small scale farmers and play vital role in the production of agricultural crops and increasing the farmers' welfare.

Also access to farm credit facilities was observed to be important in improving the farm production and productivity. Finally the study found that the farm credits have positive impact on alleviation of poverty among farmers. The involvement in credit program had a positive impact on different

dimensions of the participants' standard of living. Majority of the respondents appear to scale their poverty situation by properly utilizing the credit received. This implies that there is a positive relationship between poverty reduction and access to farm credit.

9- RECOMMENDATION

Based on the findings of the study, the researchers believe that effect of farm credits on crop production can be enhanced if the following recommendations which are based on objectives are considered;

- 1-farm credit services should be expanded to reach all the needy farmers
- 2-micro-credit institutions should be opened in the rural areas for easy utilization of the farm credits.
- 3-it is recommended that the federal government and regional administrations should support micro-credit institution and subsidize the small scale farmers.
- 4-farmers should be well informed that there are agricultural credits institutions.
- 5-cash credits are better than the material credits such as the fertilizers and farm tools
- 6- The researchers recommend the farm credit institutions should maintain good communication system and effective adequate awareness with participants.

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