DETERMINANTS OF LOAN REPAYMENT AMONG SMALL-SCALE CASSAVA FARMERS IN AKPABUYO LOCAL GOVERNMENT AREA OF CROSS RIVER STATE, NIGERIA

Abstract

This study investigated the determinants of loan repayment among small-scale cassava farmers in Akpabuyo Local Government Area of Cross River State, Nigeria. The study described the socio-economic characteristics of respondents, identifiedy their sources of loan, determined the factors influencing loan repayment, identifiedy the causes of loan diversion and identifiedy the constraints to loan repayment. Multi-stage random sampling was used to select one hundred and sixty (160) respondents for the study. Descriptive statistics, regression analysis and likert scale were used to analyze the data. The results showed that males were dominant (56.6%) in cassava production and majority (37.5%) were 41-50 years. Majority (48.8%) had family size of 4-7 members. Majority (73.1%) cultivated between 1-3 hectares and had secondary education (35.6%). About 42% had 6-10 years of farming experiences, 50% had farm income of less than ₦100,000.00 while 46.3% had less than ₦50,000.00 as their off-farm income. Also, the results revealed that majority (44.4%) obtained loans from informal sources. About 31.3% received loans between the range of ₦50,000.00 - ₦100,000.00 and used their loans to purchase farm inputs (36.9%). The multiple regression results revealed that off-farm income, farm income and interest rate positively and significantly influenced loan repayment. The major causes of loan diversion were seasonal activities in the agricultural sector (66.9%) and inadequate sustainable income (65.6%) among others. The major constraints faced by the farmers in terms of loan repayment were high interest rate (3.95) and short period of repayment (3.76) among others. It is recommended that extension personnel should educate the farmers on dangers of loan diversion and ways to avoid it. Also, government should encourage the formal loan sources to open their branches in the rural areas for easy loan accessibility by farmers and to obtain loan with moderate interest rate. This would enhance their repayment ability.

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Key words: Determinants, Small loan, Loan repayment, Cassava, Small-scale, Farmers.

Introduction

Worldwide, farmers are particularly in need of agricultural loan because of their seasonal pattern of farming activities and the uncertainties and risks they are facing in farming. In the developing countries, the role of agricultural credit is closely related to providing the needed resources which farmers cannot source from their own available capital. In respect to this, the provision of agricultural credit has become one of the most important government activities in the promotion of agricultural development in Nigeria (Olagunju and Adeyemo, 2008). Agricultural loans are granted to farmers to finance farming enterprises. The loan could be short- term, intermediate or long-term. Short-term agricultural loans are usually used by small-scale farmers to cater for the expenses on labour during land preparation and weeding and the purchase of inputs like seeds and fertilizers.

Rahji and Fakayode (2009) posited that credit or loan-able capital is viewed as more than just another resource such as labour, land, equipment and raw materials. Indicatively, the role of agricultural credit in alleviating poverty and increasing farmers' productivity cannot be over-emphasized. According to Echebiri and Nwaogu (2016), access to agricultural micro-credit remains a critical challenge to smallholder farmers in many developing countries

including Nigeria. This is because smallholder farmers often require small loans which are difficult to administer while majority of them also lack the needed collateral to be able to borrow from formal sources. Where collateral requirements are met, the sheer size of potential borrowers always seems to exclude others from borrowing. Consequently, smallholder farmers have been marginal participants in the credit market in many developing countries. As noted by Dittoh (2006), access to credit is the topmost priority of smallholder farmers in Nigeria where agriculture is the main economic activity.

Adebayo and Adeola (2008) reported that farmers relied on loan from financial institutions to increase their productivity. In spite of government effort towards establishing the Bank of Agriculture for the provision of cheap and affordable financial assistance to the agricultural sector, access to loans by rural farmers is affected by different variables (Ugbajah and Ugwumba, 2013). Most paramount among these variables according to Kuye (2016) are high interest rate, filling of many forms, number of guarantors, distance from bank and high transport cost. Also, Adejobi and Atobatele (2008) and Agnet (2004) reported that farmers' access to credit is hindered by high loan default and cumbersome loan acquisition procedures operated by commercial banks. Oji (n.d) noted that one of the factors limiting commercial banks from extending loans to rural farmers include location of the bank branches only in the urban areas. Adegbite (2009) stated that some banks were reluctant to extend loans to farmers because of high administrative costs and their perception that default rate might be high among farmers.

The major issue in agricultural business financing is loan repayment. According to CBN (1999), loan repayment ensures availability and sustainability of credit facilities to others. Okuneye (1995) asserts that low repayment can decrease lender's net return thereby minimizing the propensity of lending institutions to generate resources internally for organizational growth. This makes the issue of low loan repayment unacceptable to financial institutions. Some of the factors responsible for loan repayment default according to Kuye (2016) are loan diversion, unwillingness to repay, poor monitoring and supervision, high interest rate and untimely disbursement of loan. The consequence of high default rate include considerable reduction in the availability of loan-able funds for many loan applicants, increase in administrative cost and time to recover the loans from the defaulters. High loan default rate has discouraged most financial institutions from extending credit to farmers, especially small-scale farmers who are in dire need of loan facility. Abula and Ediri (2013) cited in Ibitoye, Shaibu, Opaluwa and James (2016) posited that rural farmers are illiterates, low income earners, maintain large family size with small and scattered farm holdings without adequate collateral to guide against default in loan repayment.

Nigeria is the largest producer of cassava in the world with an annual output of over 34 million tons of tuberous roots (Food and Agriculture Organization, 2005). Cassava production has enjoyed a tremendous boost through both the Root and Tuber Expansion Programme and the Presidential Initiative on Cassava Production and Export Programme of the Nigerian government. This programme has contributed immensely to the tremendous growth in cassava production for domestic consumption and exportation of its by-products. Cassava is majorly produced by small-scale farmers cultivating less four hectares of land. Their production is characterized by low productivity which results in low farm income. Cross River State ranks first as the largest cassava producing state in the South-south of Nigeria and fifth in the country (1,958,000 MT/annum) (PCU-FMARD, 2002; ICP-IITA, 2004) cited in Azogu, Tewe, Ezedinma and Olomo (2004). There is an emerging consensus on the fact that, to increase the level of food crops (cassava) production in the country, rural peasant farmers need to be strengthened financially. This implies that inadequate flow of credit into agriculture is a critical factor against incremental food production in Nigeria (Aihonsu, 2001). Access to credit is the topmost priority of smallholder farmers in Nigeria

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where agriculture is the major economic activity (Dittoh, 2006). Access to credit would change the way smallholder farmers perceive agriculture and the methods they use. This would enable them select better varieties of crops, plant early and maintain sustainable practices (Ogunleye, 2000). It is against this backdrop that this study was designed to investigate the determinants of loan repayment among small-scale cassava farmers in Akpabuyo Local Government Area of Cross River State, Nigeria. Specifically, it described the socio – economic characteristics of the respondents, identified the sources of loan to the farmers, determine ~~the~~ factors affecting loan repayment among cassava farmers, causes of loan diversion and constraints farmers faced in loan repayment.

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Materials and Methods

This study was conducted in Akpabuyo Local Government Area of Cross River State, Nigeria. It is one of the 18 ~~eighteen~~ Local Government Areas in the state. It lies between Latitude 4° 45' and 5° 10' North and Longitude 8° 20' and 8° 40' East. The area has a mean annual rainfall of 3,500mm – 4,000mm, a mean annual temperature of 26-27°C and a mean relative humidity of 80-90%. It occupies an area of 1,241 km² with a population of 271,395 at the National Population Census in 2006 (NPC, 2006). It shares the Atlantic coastline with Bakassi to the East and the Republic of Cameroon to the West. It is situated in the Southern Senatorial District with its headquarters in Ikot Nakanda. It consists of 10 (ten) Council Wards, namely: Idundu/Anyananse, Atimbo East, Atimbo West, Ikot Edem Odo, Eneyo, Ikot Nakanda, Ikot Eyo, Ikang North, Ikang South and Ikang Central. The people of Akpabuyo Local Government Area are predominantly farmers and fishermen. Crops like cassava and cocoyam are the major crops grown in the area. They also produce other crops like vegetables, coconut and palm produce and sea foods. They rear poultry birds, sheep and goats.

A multi-stage random sampling technique was employed in the selection of the smallholder cassava farmers who had obtained loans for their cassava farming. The first stage entailed the random selection of five (5) wards from the ten (10) wards namely: Atimbo East, Ikot edem odo, Eneyo, Idundu/ Anyanganse and Ikang North. The second stage involved the random selection of two (2) villages from the selected wards, to give a total of ten (10) villages. The third stage involved obtaining a list of cassava farmer loan beneficiaries in the villages from the Agricultural Development Programme Extension Office in the Local Government. From the list, a purposive sampling technique was used to select one thousand six hundred (1,600) farmers. This constitutes the sampling frame. A proportionality ratio of 10% was used to obtain one hundred and sixty (160) respondents for the study.

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Data collected were analyzed using descriptive statistics, ordinary least square (OLS) regression and 5-point Likert scale. Four functional forms namely; linear, semi-log, double-log and exponential, were fitted ~~so as~~ to select the lead equation based on econometric and statistical criteria. The multiple regression model is implicitly specified as:

$Y = f(X_1, X_2, X_3, X_4 \text{ ---------- } X_{11}, e)$

Where Y = Loan repayment, X_1 = gender (dummy variable Male = 1; Female = 0), X_2 = age (years), X_3 = marital status (dummy variable Single = 1; Married = 2), X_4 = education level (years of schooling), X_5 = family size (numbers), X_6 = farm size (ha), X_7 = off-farm income (~~₦~~), X_8= farm income (~~₦~~), X_9 = source of loan (dummy variable Formal = 1; semi-formal =2; informal=3) X_{10} = interest rate (%), X_{11} = repayment period (yr), e = error term.

Likert type of scale was used to identify the constraints encountered by farmers in loan repayment. The mean scores were obtained after respondents' responses were gathered using the five-point Likert scale specified as:

Opinion	Point
Very Severe Constraint (VSC)	5

Severe Constraint (SC)	4
Moderate Constraint (MC)	3
Low Constraint (LC)	2
No Constraint (NC)	1

The mean response to each item was calculated using the following formula:

$$\bar{X} = \frac{\sum FX}{N}$$

Where: $\bar{X}$ = mean response, $\sum$ = summation, F = number of respondents choosing a particular scale point, X = numerical value of the scale point and N = total number of respondents to the item.

Decision Rule: the mean of these weights is 3 that is, [(5+4+3+ 2 + 1) ÷ 5 = 3]. A mean score of 3 and above implies a severe constraint.

Results and Discussion

Socio-economic characteristics of farmers

The results of the analyzed data on socio-economic characteristics of cassava farmers in the study area are presented in Table 1. It shows that majority (56.6%) of the cassava farmers were males while 44.4% were females, implying that men played more active roles in cassava farming than females in the study area. This finding agrees with the observations of Ugwumba (2011), Kuye (2015b) and Akerele (2016) who reported that males are dominance in cassava production in their study areas. Majority of the farmers were in the range of 41-50 years (37.5%) indicating that the farmers were young, energetic, still active in farming and dynamic. This is in line with the findings of Isito, Otunaiya, Adeyonu and Fabiyi (2016) who reported an average of 47 years for small holder farmers,. slightly higher than those of Abula, Otitolaiye, Ibitoye and Orebiyi (2013) who reported a mean age of 44 years for farmers in their findings. Majority (48.1%) of the farmers were married. Anozie, Ume, Okelola, Anozie, and Ubani (2014) asserted that married farmers are likely to incur extra expenditures for family livelihood from the loan, thereby threatening their loan repayment ability.

Also, majority (35.6%) had secondary education which implies that the respondents were moderately educated. The result agrees with the findings of Akerele (2016) who reported that majority (84.2%) of the cassava farmers in Yewa Division in Ogun State had formal education.

Table 1: Socio-economic characteristics of cassava farmers in the study area

Variables	Frequency	Percentage
Gender		
Male	89	56.6
Female	71	44.4
Age (years)		
Less than 20	3	1.9
21 – 31	23	14.4
31 – 40	57	35.6
41 - 50	60	37.5
51 and above	17	10.5
Marital status		
Married	77	48.1
Single	44	27.5
Widow	24	15.0
Divorced	15	9.4
Educational level		
Never attended school	23	14.4
Primary education	36	22.5
Secondary education	57	35.6

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Tertiary education	44	27.5
Farm size (ha)		
Less than 1	20	12.5
1 – 2	59	36.9
2.1 – 3	59	36.9
3.1 – 4	22	13.8
Farm type		
Crop farming	72	45.0
Animal farming	22	13.8
Mixed farming	66	41.3
Family size (No of persons)		
1 – 3	43	26.9
4 – 7	78	48.8
8 – 11	33	20.6
12 and above	6	9.8
Farming experience (years)		
1 – 5	44	27.5
6 – 10	67	41.9
11 – 15	31	19.4
16 and above	9	5.6
Other crops		
Groundnut	39	24.4
Maize	23	14.4
Yam	53	33.1
Potatoes	21	13.1
Vegetables	24	15.0
Off-farm Income (Naira)		
< 50,000	74	46.3
50,001 – 100,000	58	36.3
100,001 - 150,000	11	6.9
150,001 – 200,000	12	7.5
200,001 and above	5	3.1
Farm income (Naira)		
<100,000	80	50.0
100,001 – N150, 00	54	33.8
150,001 – N200, 000	14	8.8
200,001 and above	12	7.5
Total	160	100.0

Source: Field survey data, 2018

Education increases the~~ir~~ awareness of ??? on the benefits of loan. It~~,~~ exposes them to where and when to go for the loan and timely repayment of the loan.

Table1 further showed that majority (73.8%) of the farmers cultivated between 1-3 hectares of cassava. This indicates that respondents were mainly smallholder farmers. They may have difficulties in accessing credit facilities in most financial institutions especially the deposit money banks because of their nature of smallholding farming. According to Kuye (2016), banks prefer giving loans to medium-scale and large-scale farmers, because of high management cost on micro loans. However, small-scale farming limits farmers from engaging in large-scale production as well as access to bigger credit facilities. Results on family size revealed that majority (48.8%) had a large family size of 4-7 persons. This conforms with the findings of Isito *et al* (2016) who reported an average of 6 members per family. Having a larger family especially those with higher number of adult children would enable small-scale cassava-based farmers to have enough labour to work in the farm. This would likely facilitate loan repayment. Majority (41.9%) of the famers had farming experience between 6-10 years, meaning that they were reasonably experienced in cassava cultivation. Also, their experience in farming would enable them to understand the need for loan, how to access it and willingness to repay.

Majority (50%) of the farmers had less than ~~₦~~100,000 as their annual farm income and 46.3% earned below ~~₦~~50,000 from off-farm income. This implies that they are smallholder

farmers with low productivity and low income. They would need to obtain loan to boost their production level.

Sources of loan to farmers

Table 2 reports the percentage distribution of sources of loan to cassava farmers. Majority (44.4%) of the farmers obtained loans from informal sources while about 38% obtained from formal sources. The informal sources include age-grades (19.4%) as the highest, followed by money lenders (12.5%) while the least, "osusu" and RoSCA (Rotatory Savings and Contribution Associations) were 3.1% respectively. The formal sources of loan to the farmers were Bank of Agriculture (BOA) (15.6%) as the highest followed by Ekondo Micro Finance Bank (12.5%) while the least was First Bank (9.4%). They charged between 15% and 27% interest rates while the informal sources charged from 20% - 31% and above. Also, majority of the farmers (51.3%) were able to repay their loans within a year (67.5%) and obtained between N51,000 and N100,000 as loan (31.3%). These results showed that the major source of loan to the cassava farmers was from the informal sources, which had been reported by so many authors (Chisasa, 2014 and Asogwa *et al*, 2014). The high percentage of farmers that patronized informal sources in the study area can be traced to the readiness and easy access to loan by farmers. However, the disadvantages of informal sources of micro credit include cut-throat interest rate and inability to get the required large amount at the time needed, among others (Kuye, 2016).

Determinants of loan repayment by farmers

To ide~~ntify~~ the factors that determine loan repayment by farmers, four functional forms of the multiple regression model were fitted in the results of the multiple regression analysis as shown in Table 3. ~~The table shows that~~ D~~d~~ouble-log function was chosen as the lead equation, based on having the highest value of the coefficient of multiple determination (R^2) and having more significant variable coefficients. The results showed that off-farm income (X_7) and interest rate (X_{10}) are positive and significant at 5% while farm income (X_8) is positive and significant at 10%, implying that the greater the farm and off-farm income the higher the rate of loan repayment by farmers while the higher the interest rate the higher the loan repayment default. The result is in conformity with the findings of Isito *et al* (2016) that increase in the net farm income of the farmers increases the likelihood that the farmers will repay the loan obtained within the stipulated time. However, farmers with higher farm income and off-farm income are more likely to repay their loans than those with lower farm and off-farm incomes. Also, interest rate has a direct relationship with loan repayment. This is because loans received at lower interest rate are likely to be repaid when due than those received at higher interest rate. According to Bob *et al* (2018), higher interest rate increases the likelihood of loan repayment default as the cost of servicing the loan increases. This result is in accordance with the findings of Mgbasonwu and Umejiaku (2018) that interest rate had a positive and significant relationship with loan repayment. Akerele (2016) also had similar result. Again, these factors are important determinants of loan repayment by farmers to the financial institutions.

Gender(X_1), age (X_2), education level (X_4), family size (X_5), farm size (X_6), sources of loan (X_9) and repayment period (X_{11}), though are positive, none had significant effects on loan repayment by the farmers. This indicates that these factors are insensitive to loan repayment.

Again, the high number of explanatory variables insensitive to loan repayment attributed to the lower coefficient of determination (R^2) value of 0.336. The coefficient of multiple determination (R^2) value of 0.336 indicates that the explanatory variables accounted for only 33.6% of the total variation in loan repayment by the smallholder cassava farmers.

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Table 2: Sources of loan and other parameters

Sources of loan	Frequency	Percentage (%)
Sources of loan		
Formal	60	37.5
Semi-formal	29	18.1
Informal	71	44.4
Formal sources		
First Bank Plc	15	9.4
BOA	25	15.6
Ekondo Microfinance Bank	20	12.5
Semi-formal sources		
Cooperative society	29	18.1
Informal sources		
Money lender	20	12.5
Age grade	31	19.4
Friends and family	10	6.3
Osusu	5	3.1
RoSCA	5	3.1
Total	160	100.0
Interest rate charged		
less than 10	1	0.6
15 - 20%	4	2.5
21 - 25%	23	14.4
26 - 30%	61	38.1
31% and above	71	44.4
Repayment period		
Within a year	105	65.7
Within 2 years	42	26.3
3 years and above	13	8.1
Methods of savings		
Bank Deposit	83	51.9
Osusu	37	23.1
Personal savings	40	25.0
Loan amount obtained		
<50,000	48	30.0
51,000 - 100,000	50	31.3
101,000 - 150,000	19	11.9
151,000 -200,000	24	15.0
201,000 and above	19	11.9
Ability to repay loan		
Yes	82	51.3
No	35	21.9
Not sure	43	26.9
Loan usage		
Purchasing of farm inputs	59	36.9
Acquisition of new farmland for cultivation	30	18.8
Weeding	19	11.9
Harvesting	11	6.9
Hiring labour	20	12.5
Farmstead	17	10.6
Purchase of farm tools	4	2.5
Total	160	100.0

Source: Field survey data, 2018

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Causes of loan diversion

The results shown in Table 4 revealed that the major causes of loan diversion among farmers are seasonal activities in the agricultural sector (66.9%), inadequate sustainable income (65.6%), family responsibilities (64.4%), the need for diversification (63.8%), and

Comment [MN20]: Discussing Table 4 result here and below is Table 3. Please check

short repayment period (63%) among others. However, the table also revealed that uncertainty and high risk of business failure, social activities and burial ceremonies are minor causes of loan diversion among cassava farmers in the study area. Ambachew (2017) reported that farmers who divert their loan for other purposes are more likely to default their loan than those who use their loans for the original purpose.

Table 3: Results of multiple regression analysis on the factors that determine loan repayment by farmers

Variables	Linear	Semi-log	Double-log	Exponential
Constant	0.563 (0.755)	1.282 (2.492)**	0.187 (0.863)	0.007(2.693)
Gender (x_1)	0.044 (0.227)	0.125 (0.456)	0.036 (0.315)	0.024(0.034)
Age (x_2)	0.045 (0.407)	0.102 (0.314)	0.013 (0.097)	0.008(1.164)
Marital status (x_3)	-0.048 (-0.49)	-0.193 (-1.027)	-0.067 (-0.840)	-0.006(-2.566)
Education level (x_4)	0.002 (0.026)	0.335 (1.350)	0.133 (1.273)	0.004(1.265)
Family size (x_5)	0.008 (0.063)	0.064 (0.261)	0.034 (-0.334)	0.006(1.334)
Farm size (x_6)	0.062 (0.538)	0.106 (0.433)	0.071 (0.682)	0.011(1.332)
Off farm income (x_7)	0.178 (1.733)***	0.408 (1.986)*	0.199 (2.299)**	0.007(0.256)
Farm income (x_8)	0.612 (4.942)*	1.204 (5.354)*	0.459 (4.836)*	0.009(1.036)
Source of Loan (x_9)	-0.108 (-0.952)	-0.281 (-1.400)	-0.085 (-1.004)	-0.005(-1.001)
Interest Rate (x_{10})	0.145 (1.204)	0.376 (1.679)***	0.211 (2.235)**	0.003(2.667)
Repayment Period (x_{11})	0.067 (0.563)	0.020 (0.085)	0.052 (0.460)	0.068(2.116)
R^2	0.305	0.332	0.336	0.334
Adjusted R^2	0.253	0.283	0.286	0.246
F-ratio	5.894*	6.695*	6.801*	6.80*
Durbin Watson	1.920	1.875	1.918	1.912

Source: Field survey data, 2018

Figures in brackets are t-ratios; *Significant at 10%; **Significant at 5%; ***Significant at 1%

Table 4: Causes of loan diversion among farmers

Causes of loan diversion	Frequency (Yes)	Percentage (%)
Family responsibilities	103	64.4
Uncertainty and high risk of business failure	77	48.1
Social activities (marriage, child dedications)	76	47.5
Natural disaster	84	52.5
Execution of other projects	90	56.3
Burial ceremonies	48	30.0
Small and fragmented land	96	60.0
Short-term repayment	102	63.8
Seasonal activities in the agricultural sector	107	66.9
Inadequate sustainable income	105	65.6
The need for diversification among farmers	102	63.8

Source: Field survey data, 2018

Constraints to loan repayment by farmers

The results in Table 5 reveals that high interest rate with mean value of 3.95 ranked first among the severe constraints farmers are facing in loan repayment in the study area. This is followed by short period of repayment and high taxation (3.76 each) among others. Judging from the mean value of 3.0 criteria as severe constraint, the results on the table showed that all the constraints were severe, though their degree of severity ranged from 1st to 13th position. This implies that while all were severe constraints some were severer than others. Abdu *et al* (2015) and Ezihe *et al* (2014) in their studies reported high interest rate as one of the major constraints militating against loan repayment.

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Table 5: Constraints to loan repayment by farmers

Constraints	VSC	SC	MC	LC	NC	SUM	MEAN	RANK
High interest rate	70	34	39	12	5	632	3.95	1st
Short period of repayment	62	33	40	14	11	601	3.76	2nd
High taxation	66	29	37	16	12	601	3.76	3rd
High cost of production	50	42	30	30	8	576	3.60	4th
Poor supervision	53	34	28	26	19	556	3.48	5th
Small farm size	40	41	40	29	10	552	3.45	6th
Late disbursement	44	37	37	29	13	550	3.44	7th
Lack of collateral	40	40	39	30	11	548	3.43	8th
Large family size	44	40	36	16	24	544	3.40	9th
Inadequate extension agents	57	19	35	24	25	539	3.37	10th
Low market price of farm produce	36	38	44	32	10	538	3.36	11th
Low profit margin	39	31	37	37	16	520	3.25	12th
Crop failure	32	39	35	33	21	508	3.18	13th

Source: Field survey data, 2018

NB: VSC = very severe constraints; SC = severe constraints; MC = moderate constraints; LC = low constraints; NC = no constraints.

Conclusion

This study revealed that loan repayment among cassava farmers in Akpabuyo Local Government Area is influenced by important socio-economic characteristics. Farmers obtained loan majorly from informal sources at high interest rate. It affirms that off-farm income, farm income and interest rate are statistically significant as they affect loan repayment in the study area. Although, the coefficients of other factors like age, gender, education level, family size, farm size, source of loan and repayment period are positive but not significant. Among the severe constraints farmers faced according to their degree of severity are high interest rates, short repayment period, high taxation and high cost of production. The study recommends that

~~**Recommendations**~~

~~Based on the findings of this study~~, the following are recommended:

1. Eextension personnel should educate the farmers on dangers of loan diversion and ways to avoid it.
2. Farmers should be educated on maximum utilization of credit for improved agricultural production.
3. Government should encourage the formal loan sources to open their branches in the rural areas for easy loan accessibility by farmers and obtain loan with moderate interest.
4. Farmers should be encouraged to form groups so as to have fast access to credit with equal and fair distribution.
5. In order to reduce the high cost of production, farm inputs should be subsidized by the government in the area.
6. Farmers should be helped by the extension personnel on how to improve their farm income by practicing mixed-cropping and engaging in other off-farm activities. This would enable them to have sustainable income and enhance loan repayment.

Comment [MN24]: This is contradictory to your finding because, they were not significant.

Comment [MN25]: This contradicts earlier statement that loan repayment is influenced by socioeconomic variables.

Comment [MN26]: Rewrite

Comment [MN27]: How??

References

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