

AJGA 2009059/5303

## The effectiveness of traditional methods of capital formation in the development of peasant agriculture: A case study of selected villages in Etche Local Government of Rivers State, Nigeria

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(Received June 24, 2009)

**ABSTRACT:** The Local Government Area of Rivers State has about 80% of their entire population dependent on the utilization of the natural resources of land for their development. But up till today most of the rural farmers still produce at subsistence level and not enough to sell to generate a reasonable income for other demands of the families as well as re-investment in agriculture. This study therefore was specifically carried out to identify the effectiveness of traditional methods of capital formation in the development of peasant agriculture in selected villages of Etche Local Government Area of Rivers State. In carrying out the research, a total of (150) peasant farmers one hundred and fifty peasant farmers were chosen from ten (10) selected villages. Fifteen (15) peasant farmers were randomly selected from each of the selected villages, using simple random sampling method. The method of data collection was personal interview method using structural questionnaire. The findings highlighted different sources of capital formation such as, money lenders, personal savings, Esusu clubs, Commercial Banks and friends/well-wishers-(cash sources). Other sources in kind include land uses, livestock supply, labour supply, age group farming, and women association group farming (others). Results showed that traditional methods of capital formation ranked highest in degree of effectiveness in land lease, livestock supply in kind and personal savings and Esusu clubs in cash in the development of peasant agriculture in the area of study.

### Introduction

Etche Local Government Area has different soil types which are highly porous and permeable, well drained and can be easily tilled thus providing opportunities for the production of various crops such as yam, cassava, maize, vegetables, oil palm, plantain and cocoyam etc. Opportunities for fish production also exist. Like in most other Local Government Areas of the state, about 80% of the entire population of Etche Local Government Area are dependant on the utilization of the natural resources of land for their development (Al-Handasah, 1975), but, up till today most of the rural farmers still produce at subsistence level, and not enough to sell from which to generate a reasonable income for other demands of their families as well as re-investment in agriculture.

Bawo (1981), in his work carried out on the sources of credit to agricultural food marketers in South Western Nigeria said that two main sources of credit were used by the markers for obtaining the establishment capital, they were money lenders, and friends and relations. He indicated that a total of 724 marketers obtained their establishment capital from money lenders and a total of 858 obtained theirs from friends and relations.

Bouman (1979), studied rotating savings and credit associations in developing countries, noted that the importance of non-institutional credit market was rarely highlighted in agricultural credit and rural financial systems because of insufficient knowledge of the workability of traditional savings and credit associations.

Miracle et al (1980) also studying the informal saving associations noted the following groups in some African countries with their operational characteristics:

Table 1: Some West African countries saving association with their operating characteristics

Country	Local Names of Association	Operational Characteristics
Nigeria	Esusu, Isusu, Oha, Utu Adashi, Bam, Osusu	Funds rotate in some, others have both rotating and non-rotating funds do not rotate in some
Liberia	Esusu	Funds rotate, in some cases it does not, but are mobilized for community project
Gambia	Osusu	Fund rotates
Benin	Ndjonu Tontine	Fund rotates
Ghana	Susu, Nanemei akpee	Fund rotates
Senegal	Tontine	Fund rotates
Sierra Leone	Asusu	Fund rotates

*Source:* Journal of Economic Development and Cultural Changes 1980

The above study reveals that participants contributed a fund that was given to one member when the group met, usually the group met once a week with 8 members, each depositing N100 to have a collective deposits of N800 and a cycle of 8 weeks. At the end of the 8<sup>th</sup> week the cycle terminated and a new cycle started as wished by members.

FAO (1985) stated that the increased use of the purchased inputs required for technological progress depended heavily on improved supplies of credit. They further said that although there had been substantial increases in the supply of agricultural credit in recent years, it was to be noted that more was still being needed to achieve increased production. While most large farmers could obtain credit from variety of alternative sources, small farmers could either obtain no credit at all or have to depend on local money lenders because credit institutions found the administration and supervision of all loans unattractively costly.

Jack (1985) in his write up on "Funding the Peasant farmer" said that there was no proper studying of the peasant farmer as to determine what he wanted, and that the funding programme embarked upon by the various governments was neither helping the farmer nor contributing to the production of food. The result of this poor funding programme was the problem which every state government was having in recovering the Loans made to farmers. He also submitted that government officials were not studying the peasant farmers to know their actual financial needs. As a result of this gross neglect, the peasant farmers were being grossly underfinanced.

## Methodology

This study was specifically carried out in Etche Local Government Area of Rivers State of Nigeria and it focused on the effectiveness of traditional methods of capital formation in the development of peasant Agriculture. From the population, one hundred and fifty (150) farmers, were chosen from the ten (10) selected villages via, Ndashi, Okomoko, Chokocho Ulakwo, Okehi, Igbodo, Obite, Ozuzu, Elele, and Mba. Fifteen (15) farmers were randomly selected from each of the ten villages.

For the purposes of this study, personal interview method and structural questionnaire were used for data collection from, illiterate and literate farmers. And, analytical tools included percentages, histograms and frequency distributions.

## Result and Discussion

The responses of the peasant farmers, on the extent to which money generated from the sources are being utilized is effective in the development of peasant agriculture. The reason is that all the various ways in which money is ploughed back into agriculture have high percentages form the responses of the farmers.

Table 2: Number of Farmers whose Sources of Capital Formation are in Kind

S/N	TYPES	NDASHI	OKOMOKO	CHOKOCHO	ELELE	OKEHI	IGBODO	ULAKWO	OBITE	OZUZU	MBA	TOTAL	PERCENTAGE (%)
1	Land Lease	15	15	11	13	11	13	14	14	13	14	133	88.6
2	Livestock Supply	8	5	12	7	10	10	8	10	6	12	88	58.6
3	Labour	8	6	10	11	9	11	5	7	7	6	80	53
4	Others	2	-	3	-	-	-	-	-	-	2	7	4.6

**Source:** Field Survey, 2002

Among the farmers interview, 88.6% testified to the practice of land lease, 58.6% practiced livestock lease, 53% operated labour supply, while others (age group farming associations) had 4.6% farmers who practice it.

Table 3: Farmers whose Sources of Capital Formation are in Cash

S/N	TYPES	NDASHI	OKOMOKO	CHOKOCHO	ELELE	OKEHI	IGBODO	ULAKWO	OBITE	OZUZU	MBA	TOTAL	PERCENTAGE (%)
1	Money Lenders	2	5	2	4	1	-	-	2	-	-	16	10.7
2	Personal Savings	7	8	12	7	11	15	12	9	10	11	102	68
3	Esusu Clubs (Unions Meetings)	9	13	12	9	10	3	14	11	5	10	96	64
4	Others	2	2	1	3	3	7	1	2	4	1	26	17.3
5	Friends & Well-wishers	5	-	1	3	-	15	3	-	7	1	35	23.3

**Source:** Field Survey, 2002

From the above sources 16 farmers or (10.7%) responded obtaining their capital form the money lenders, while 102 farmers or (68%) got theirs from their personal savings. Also 96 farmers (64%) obtained their capital from Esusu clubs (meetings clubs).

Only 26 farmers or (17.3%) testified obtaining their capital from the commercial banks, while 35 farmers or 23.3% acquired their capital from friends and well-wishers.

Table 4: Presentation of Farmers and their different sources of Capital Formation in Kind.

Types	Percentage of Farmers involved in Kind of Capital Formation
Land Leases	88.6%
Livestock Supplies	58.6%
Labour Supplies	53%
Others	4.6%

**Fig 1:** Histogram of farmers and their different sources of capital formation in kind

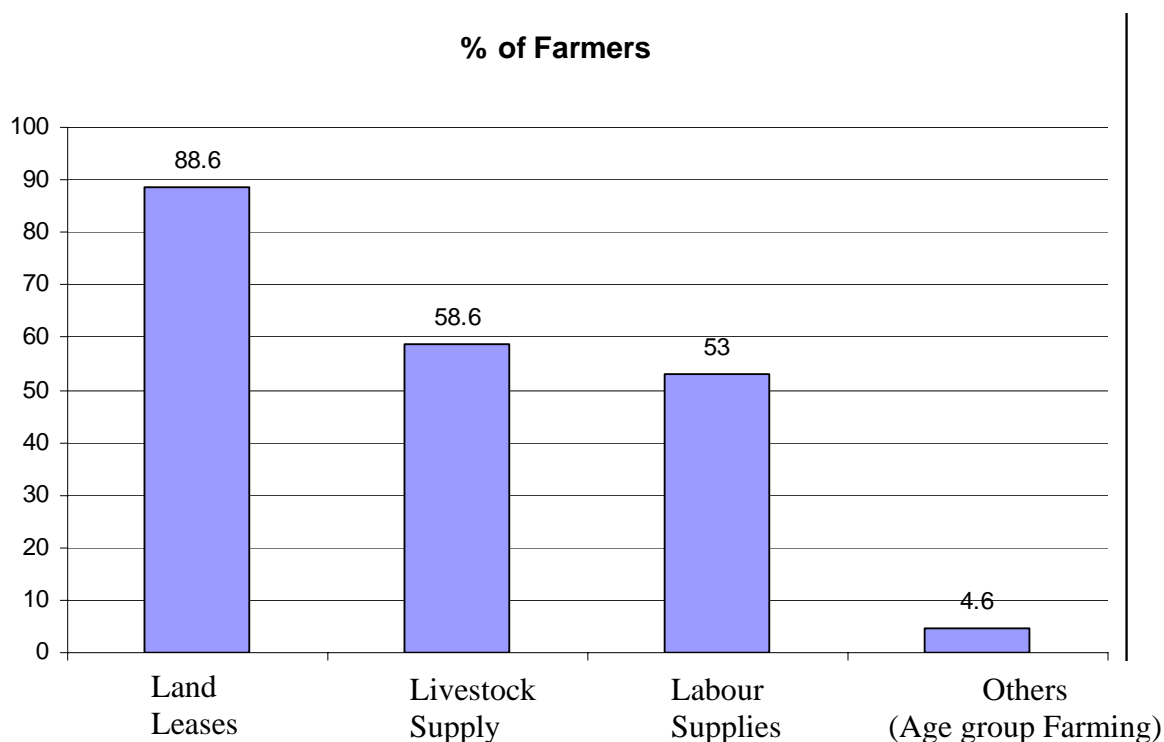


Table 5: Presentation farmers and their different sources of capital formation in cash.

Types	% of farmers involved in Capital formation in cash.
Money	11%
Personal savings	68%
Esusu club	64%
Commercial banks	17%
Friends and Wellwishers	23%

**Fig. II Histogram of Farmers and their different sources of capital formation in cash**

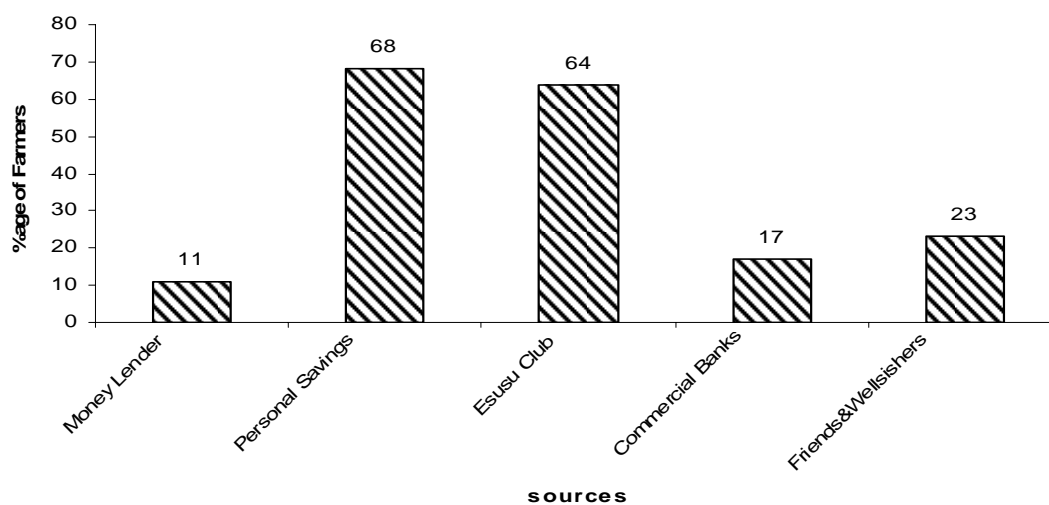


Table 5: The use of funds generated by the peasant farmers in the development of peasant agriculture

S/N	Uses	NDASHI	OKOMOKO	CHOKOCHO	ULAKWO	OKEHI	ELELE	IGBODO	OBITE	OZUZU	MBA	TOTAL	PERCENTAGE (%)
1	To buy land	14	15	11	15	12	11	13	14	14	12	131	87
2	To buy Livestock	10	7	12	9	11	10	14	13	10	7	103	68.6
3	Hire labour	15	13	14	15	15	14	15	14	15	13	143	95.3
4	Financial Education	15	15	14	15	15	13	15	14	15	13	144	96
5	Marry new wife	1	5	5	6	2	8	10	7	8	9	61	40.6
6	Deposit in Banks	1	-	2	-	2	2	4	-	2	2	15	10
7	Purchase inputs	15	15	14	13	14	13	15	14	15	13	141	94
8	To do second burial	5	3	11	6	2	10	13	11	9	10	80	53.3

Table 6: Arbitrary ratings of the effectiveness of the uses of funds generated from agriculture in its development

Percentage	Ratings
	Very low
20-39	Low
40-59	Average
60-79	High
80-100	Very high

From the farmers responses 131 of them or 87% used their funds to buy land, While 103 Or (68%) of farmers used their funds in buying livestock, also 143 farmers (95.3%) used theirs in hiring labour, again 144 (96%) of farmers responded using their funds generated in agriculture in financing education; furthermore 61 (40.6%) of farmers utilized their funds in marrying new wife; 15 (10%) of the farmers testified to the deposit of their funds in banks, whereas 141 (94%) of farmers utilized theirs to purchase farm inputs and finally 80 (53.3%) farmers used their funds in the second burial of their parents and relatives.

From the responses of the peasant farmers the extent to which the money generated from the sources is being utilized is effective in the development of peasant agriculture. This is because of the fact that all the various ways in which money is ploughed back into agriculture have high percentages from the responses of the farmers.

For instance farmers who ploughed back their money into agriculture through purchase of land is 87%(very high), 95.3% in hiring labour, which 94% used theirs in purchase of farm inputs. High percentage 96% of funds generated was ploughed into financing education as majority of the people in the local government area have agriculture as their major occupation.

Again farmers responses indicated average regards for their culture, that is the reason why 53.3% of the farmers used their funds for second burials. Marrying new wife had 40.6% average, this according to the farmers' responses are due to social security, status recognition by other farmers.

Finally Very Low Percentages (10%) of the farmers deposited their funds in banks, the farmers gave their reasons as follows, to expand their farms for unforeseen circumstances, interest yielding and for security.

### *Conclusion*

From my analysis it could be seen that traditional methods of capital formation is effective in the development of peasant agriculture. Considering the production level as well as the farm size of the peasant farmers, and if agricultural development is to be meaningful in this area under study as well as other parts of this country that are engaged in agricultural production.

Government efforts should be increased at eliminating those factors that hinder the making of loans available to the peasant farmers. The government should guarantee loans to the real peasant farmers from banks, through the extension workers as well as their local Chiefs who are in direct contact with the real peasant farmers. Again loans should be granted during the real farming season to minimize the misuse of the loans. The above measures if followed will certainly increase our level of agricultural production for the teeming Nigerian population as well as the development of rural environment for good standard of living.

### **References**

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