

CONSTRAINTS FACED IN THE UTILIZATION OF CREDIT FOR POULTRY ENTERPRISE IN SOUTH-WESTERN, NIGERIA

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Constraints faced in the utilization of credit for poultry enterprise in South-western, Nigeria

Abstract

This study aimed to analyze the constraints faced in the utilization of credit for poultry enterprise in South-western, Nigeria. Using a multi-stage sampling approach, 250 poultry farmers were selected. Primary data were collected and analyzed with descriptive and inferential statistics to meet the research objectives. A four-stage sampling procedure was used. Ogun, Oyo and Ondo states were randomly selected; and three Local Government Areas (LGAs) in each state based on prevalence of commercial poultry entrepreneurs. Cluster sampling technique was used to select two communities where poultry enterprises huddled in the selected LGAs. Ten percent of the entire poultry farmers were selected to give a total of 250 respondents. Data were collected using interview schedule on respondents' socio-economic and enterprise characteristics (age, education, occupation, type of enterprise and management practice), access to credit facilities, attitude towards use of credit and utilisation of credits, constraints to utilisation of credit and profitability of commercial poultry farming. Data were analysed using descriptive statistics, Chi-square, and Pearson product moment correlation. Most respondents were male (74.8%). Age and years of formal education were 42.56 ± 9.84 and 17 ± 9.26 years, respectively. More than half (52.8%) engaged in poultry production as their primary occupation, 54.4% combined egg and meat production and 63.6% used battery cage system. Credit was mostly accessed from cooperative societies ($x = 1.19$) and family/friends ($x = 1.07$). Based on these findings, recommendations were made that poultry farmers should form cooperatives society to enable them access loans from the various financial institutions. The high interest and procedures for securing loans should be reviewed in order to make it simple and attractive for the farmers.

Keywords: Constraints, utilization, credit, poultry, enterprises

INTRODUCTION

The concept of access to credit has been mentioned by some researchers. Wezi, Laston, Levison and Gowokani (2022) stated that “access to credit is the ability of the household or its members to enter into contractual arrangements for credit service.” Another explanation of access to credit is that “A household has access to a particular source of credit if it is able to borrow from that source, although for various reasons it may choose not to borrow. The extent of access to credit is measured by the maximum amount a household can borrow. If this amount is positive, the household is said to have access Wezi *et al.*, (2022). Access to credit is often confused with participation in credit programs. Indeed, the two concepts are often used interchangeably in many credit studies. The crucial difference between the two concepts lies in the fact that participation in a credit program is something that households choose to do, while access to a credit program is a limiting constraint put upon them (e.g. availability and eligibility criteria of credit programs). Participation is observed when a household applies for and successfully enters in to contractual arrangement for a loan (Oyediji, Yekinni, Sennuga and Bamidele, 2024). Thus, the participation is dependent on access to and on the demand for credit. In other words, participation is more of a demand-side issue related to the potential borrower’s choice of the optimal loan size, while access is more of a supply-side issue related to the potential lender’s choice of the credit limit (Wezi *et al.*, 2022).

Access to credit is not only measured by the proportion of households having an outstanding debt, as some rural households apply for credit and are refused, whereas others are self-excluding themselves from the credit market because they fear being turned down, while their application for credit is not zero (Sennuga *et al.*, 2024). Thus, demand for credit can be a latent demand. In other words, access to credit

does not imply that the demand for credit will be satisfied. Lenders determine how much credit is allocated based on the probability of loan default, often resulting in credit rationing (Olaitan, Bamidele, Joel, Oyediji, Joel and Sennuga, 2024a). The probability of default may be influenced by a number of factors that include the expected returns of the project, the terms of the loan, market imperfections and the characteristics of the borrower. In practice, households apply for credit, but lenders determine how much credit is allocated to them, based on their perception of the household’s credit worthiness (Lai-Solarin *et al.*, 2024). This often results in credit rationing that reflects the lender’s perception of the household risk profile, understanding the factors that influence credit rationing highlights specific interventions that may raise the creditworthiness of households and create advantages for both lenders and households. From the lender’s perspective, the improved creditworthiness of borrowers will reduce the risk of default and improve profitability and financial sustainability. From the household side, increased credit worthiness means increased access to credit, which may provide a possible escape route from poverty (Wezi *et al.*, 2022; Olaitan *et al.*, 2024b). Therefore, analyze the constraints faced in the utilization of credit for poultry enterprise in South-Western, Nigeria. The specific objectives are to:

- I. describe the socio-economic characteristics of the respondents in the study area;
- ii. examine farmer’s access to credit facilities in the study area;
- iii. evaluate the level of constraints to the use of credit for poultry enterprise in the study area;
- v. analyze the constraints to the utilization of credit and profitability of commercial poultry enterprise

2.0 Theoretical and Conceptual Framework

2.1 Theoretical framework

Theories are formulated to explain, predict, and understand phenomena and, in many cases, to challenge and extend existing knowledge, within the limits of the critical bounding assumptions. The theoretical framework is the structure that can hold or support a theory of a research study.

2.2 Theory of capital accumulation

The theory of capital accumulation was first proposed by Rosa Luxemburg in 1913. Capital accumulation is the driving force behind the pursuit of profit, involving the investment of money or any financial asset for the purpose of increase the initial monetary value of said asset in the form of a financial asset, asset return in the form of profits, rents, interest, royalties or capital gains. The purpose of capital accumulation is to create new fixed and mobile funds, expand and modernize existing funds, develop facilities for socio-cultural activities as well as form resources needed for reserves and insurance. The process of capital accumulation forms the foundation of capitalism and is one of the defining characteristics of the capitalist economic system.

Capital accumulation mainly focuses on increasing existing wealth through investment of earned profits and savings. This investment is focused in many different ways across the economy. One method of raising capital is to purchase tangible goods to stimulate production. This can include physical assets such as machinery. Research and development can also boost production and is called human capital. Investing in financial assets, such as stocks and bonds, is another way to accumulate capital if the value of those assets increases. Another important factor in capital accumulation is price appreciation. These are

typically investments in physical assets that increase in value over time, such as real estate. An important idea to note is that accumulating capital does not necessarily involve spending money. This can be done through simple means, such as better organization. For example, a company can increase output by better organizing its factory to operate more efficiently without having to buy more machinery or hire more workers. Increasing output will increase profits.

2.3 Capital Structure theories

Capital Structure theories deals with the question whether change in capital structure influence the value of a firm. There are four approaches to this, viz. net income, net operating income, traditional and Modigliani and Miller approach. Capital structure is the proportion of all types of capital viz. equity, debt, preference etc. It is synonymously used as financial leverage or financing mix. Capital structure is also referred as the degree of debts in the financing or capital of a business firm. Financial leverage is the extent to which a business firm employs borrowed money or debts. The demand for financial capital would be fully determined by demand for investment (physical capital), reflecting the firm's ability of generating positive present values of investment. In relation to the study, the theory suggests that the extent to which a farmer employs financial leverage in form of credit (debts) is determined by the assurance that use of such credit will increase the value (profit) of his farmer. Also, the demand for credit will be affected by how much the farmer is willing to utilise in the poultry enterprise.

3.0 Materials and methods

3.1 Study area

The study was conducted in South-western Nigeria which is one of the six geopolitical zones of the country. The zone consists of Oyo,

Ogun, Ondo, Osun, Lagos and Ekiti States. The area was chosen because poultry business is very popular among residents; there is a ready market for poultry products and there are similarities in socioeconomic and political factors. Southwest Nigeria lies between Latitudes 50 South, 90 North and Longitudes 20 and 80 East. It is bounded on the South by the Atlantic Ocean, in the East by River Niger, in the West by the Republic of Benin and in the North by North-central Nigeria. Southwestern Nigeria occupies land area of 78,505.17 square kilometers, representing approximately 8% of the country's total land mass. The population of the zone is 27, 722, 432 people, representing approximately 20% of the country's total population according to the 2006 national census.

The socio-economic and political atmosphere is stable and productive; likewise, the climatic factors are adequate for wide ranges of agricultural activities. The rainfall pattern of Southwestern Nigeria varies from that of the coastal forest belts of the south to that of derived savannah of the north spanning the months of April to October. The period between the months of November to March is characterized by dry season and Harmattan. Agriculture is the main source of livelihood of the inhabitants of Southwest Nigeria.

3.2 Study population

The population of this study comprised of all commercial poultry farmers in Southwestern region of Nigeria.

3.3 Sampling procedure and sample size

Multistage sampling procedure was used to select the respondents for the study. The first stage involved the random selection 50% of the states in Southwest which is three out of the six States in the Southwestern Nigeria. The States were Oyo, Ogun and Ondo States. The second stage involved purposive sampling of three Local Government Areas (LGAs) based on the prevalence of commercial poultry production in each State. Prevalence of commercial production in each state was determined by the number of Poultry farmers with stock capacity of above three thousand birds who were registered with the state chapter of the poultry Association of Nigeria. Thus, the local government areas with the highest number of these farmers were 'purposively targeted for sampling. The Local Government Areas selected were Oyo east, Lagelu and Afijo in Oyo State; Odeda, Ado Odo/Otta and Ifo in Ogun State; and Ondo West, Owo and Akoko Northwest LGAs in Ondo State. Cluster sampling technique was then used to select two communities where poultry farming was prevalent in each of the selected Local Government Areas. This was also achieved following similar procedure used for sampling the aforementioned local Government areas. From the list of registered poultry farmers, 10% of the registered poultry farms were selected to make a total of 250 respondents.

Table 3.1: Sampling procedure and sample size

Southwestern states	50% of the state	Purposive selection of LGAs	Cluster sampling of communities	Number of poultry farmers PAN	10% selection of poultry farmers
6	Oyo	Oyo East	Apaara	156	16
			Oke-apo	213	21
		Afijo	Ilorra	132	13
			Awe	112	11
		Lagelu	Lagun	104	10
			Lalupon	129	13
	Ogun	Odeda	Itesi	115	12
			Obantoko	178	18
		Ado	Igbesa	210	21
			Odo/Ota	119	12
		Ifo	Agbado	155	16
			Ifo	215	22
	Ondo	Owo	Upemen	110	11
			Uso	96	10
		Ondo iwest	Oboto	114	11
			Owena	132	13
		Akoko	Arigidi	107	11
		North-west	Okeagbe	92	9
Total	3	9	18	2489	250

3.4 Data sources

Data were collected from primary sources through the use of pre-tested interview schedule to elicit information from the poultry farmers during the survey. The interview schedule was used to obtain information based on the specific objectives of the study. Each of the objectives was measured under different sections of the interview schedule.

3.5 Validation of instrument

Content validity of the research instruments was

achieved through interactions with the research supervisors, and professionals in Agricultural Extension, Agricultural Economics, Rural Sociology and Development Communication. The process resulted in the correction of defective items, removal of irrelevant ones, and the inclusion of relevant ones

3.6 Reliability of instrument

The reliability test of the interview schedule was conducted using the split-half method of analysis to determine the degree to which it

consistently measured what it was designed to measure. The interview schedule was administered to a set of 20 small-scale commercial poultry farmers in Ekiti State. Correlation coefficients were obtained for each research objective. A correlation coefficient of 0.70 and above was accepted for each objective.

3.7 Measurement of variables

The variables investigated in the study were categorized into independent and dependent variables. Scores were assigned to variables measured at interval or ordinal levels of measurement, while numeric labels were assigned to those measured at nominal levels of measurement.

I. Constraints to the utilisation of credit for poultry enterprise

The respondents were asked to state the constraints to the utilization of credit for poultry enterprises. They were required to respond to possible constraint items with the options of: no constraint, mild constraint, severe constraint, and very severe constraint. The constraint items included issues concerning high interest rates, collateral requirements, lack of guarantor, misleading information, untimely disbursement, loan diversion, short repayment period, time wastage, and far distance of service providers. Scores of '0' were assigned to no constraint, '1' to mild constraint, '2' to severe constraint, and '3' to very severe constraint. The mean score of each item was used to rank the constraints. Additionally, the scores were summed, with a maximum score of 22 and a minimum score of 0. The overall mean (14.27) was used as the index to categorize respondents into high and low constraint levels.

ii. Utilization of credit

Respondents were asked to state where they obtained the credit (loan) from, how much credit they collected, and how much they used for the poultry enterprise. This information was

collected for the last three credits obtained. The ratio of the amount collected to the amount spent on the poultry enterprise was found for each credit collected. The mean and standard deviation for credit utilization for all respondents were obtained, and these were used to categorize credit utilization into high, medium, and low.

3.8 Dependent variable

The dependent variable of this study was the profitability of commercial poultry farmers. This was measured as Net Farm Income (NFI) by subtracting the Total Cost (TC) from the total revenue (TR). The TC is the summation of Total Variable Cost (TVC) and Total Fixed Cost (TFC). Return on Investment (ROI) and Cost Benefit Ratio (CBR) were used for sensitive analysis

$NFI = TR - TC$

$TC = TFC + TVC$

NFI= Net Farm Income

TR=Total Revenue (income for sales of birds and egg)

TFC= Total Fixed Cost (Rent, depreciation on assets)

TVC=Total Variable Cost (cost of feed, drugs, labour, day old chicks)

3.9 Method of data analysis

Descriptive statistics like frequency, percentages, means, standard deviations, and charts were used to describe the objectives of the study. Inferential statistics, as noted in Table 4.2, were used to test the hypotheses

4.0 RESULTS AND DISCUSSION

4.1 Socio-economic characteristics of respondents

4.1.1 Sex of respondents

The result on the sex of respondents is presented in Table 4.1. It revealed that the majority (74.8%) of the respondents were males, while

25.2% were females. This suggests that males were more engaged in poultry enterprises in the study area. This conforms to the findings of Falculan and Aungon (2023), who reported that the majority of poultry farmers in Nigeria were males.

4.1.2 Marital status of respondents

The results in Table 4.1 showed that the majority (88.8%) of the respondents were married. The results further indicated that only 6.8% of the respondents were divorced/separated, while 2.4% were widowed. These findings align with Onogwu *et al.* (2017), who found that 88% of poultry farmers were married. The results reflect the high value placed on marriage in Nigerian society.

4.1.3 Religion of respondents

The result presented in Table 4.1 revealed that 60.0% of the respondents were Christian, while 36.8% were Muslim and 3.2% were traditional worshippers. This suggests that Christianity and Islam are the two dominant religions in the study area. The involvement of people with diverse religious backgrounds in the poultry enterprise could be due to the fact that poultry products have little or no religious taboos.

4.1.4 Age of respondents

Age is an important variable that influences the type of economic activities an individual can undertake. Table 4.1 presents the age distribution of respondents, revealing that the mean age was 42.56 ± 9.84 years. A larger percentage (64%) were between 31 and 50 years, 24.4% were between 51 and 60 years, and less than 5% were above 60 years. This implies that respondents were still in their middle and active age. This finding is supported by Oladunni and Fatuase (2014), who noted that poultry farming is dominated by young people.

4.1.5 Total years of formal education

The importance of education in sharpening the minds of people cannot be overemphasized, as it has been observed to aid access to diverse sources of information through which knowledge is acquired for improved productivity and increased profitability (Ajah *et al.*, 2014; Babatunde *et al.*, 2012). The educational attainment of the respondents, as presented in Table 4.1, revealed that the respondents' mean years of formal education was 17.47 ± 9.26 . Additionally, 42.4% of the respondents had tertiary education, while only 38.4% had secondary education. This result implies a high level of literacy among the poultry farmers in the study area. The high level of educational attainment could be attributed to the importance attached to formal education in the study area.

4.1.6 Household size

Table 4.1 presented the average household size of 5.10 ± 2.27 persons. Over half (58.8%) of the respondents had a household size of between 3 and 6 persons, while a quarter (25.2%) of the respondents had a household size of between 7 and 10 persons. The mean result showed that the respondents had a relatively large household size. The large household size could translate to cheap and reliable workforce. This is in line with Adesiyani (2014) who claimed that large household size among poultry farmers serve as a reliable workforce that supply the needed labour requirement for the enterprise.

4.1.7 Membership of social association

Social associations serve as sources of information and provide support (both financially and morally) to members (Adeyonu *et al.*, 2016; Umunna *et al.*, 2012). Membership of respondents in social groups, as shown in Table 4.1, revealed that 68.8% of the respondents were members of a social

association, while only 31.2% did not belong to any social association. It was observed that 60.4% of the respondents who belonged to social associations were members of cooperative societies, while 20.3% and 18.0% were members of farmers' associations and religious organizations, respectively.

These results suggest that respondents were interested in and actively participated in social associations. The result corroborates Bello *et al.* (2015), who found that the majority of poultry farmers in their study area were members of social associations. Belonging to social associations enables members to maximize productivity by using the medium to garner information and collectively advertise their products. According to Simonyan (2012), membership in associations provides farmers with opportunities for information sharing on modern production techniques, bulk purchasing of agricultural inputs, as well as labor exchange.

4.1.8 Primary occupation of respondents

The result of primary occupation of respondents is presented in table 4.2. The result revealed that more than half (52.8%) of the respondents engaged in poultry production as their primary occupation, while 22.0% and 10.4% were primarily engaged in crop farming and civil service. A large number of respondents engaged in poultry production as their primary occupation could indicate that poultry production is very lucrative. Poultry products have been observed to be one of the major

sources of animal protein, and the demand for them is on the rise. The absence of white-collar jobs for the seemingly youth and the high demand for poultry products may have contributed to the influx of people into commercial poultry enterprises (FAO, 2011).

4.1.10 Monthly income

The result on the estimated monthly income of respondents as presented in Table 4.1 revealed the mean monthly income was ₦148, 181. Almost two-fifth (39.6%) of the respondents earned between ₦51,000 and ₦100,000 per month. The result also showed that 20.4% earned between ₦101,000 and ₦150,000 and 20.8% earned above ₦200,000 monthly. This implies that the majority of respondents are diversifying their livelihoods to complement income from their primary occupation. Emaikwu *et al.* (2011) observed that people engaged in poultry production often do so to support their meager incomes. Additionally, the frequency of other income-generating portfolios, such as crop farming and trading, indicates that respondents have diversified into other income-generating activities. This could be a strategy to boost their income.

Table 4.1: Distribution of respondents by socio-economic characteristics

Variables	Categories	Freq.	%	Mean
Age (Years)	= i30	19	7.6	42.56±9.84
	31-40	60	24.0	
	41-50	100	40.0	
	51-60	60	24.0	
	? i60	11	4.4	
Sex	Male	187	74.8	
	Female	63	25.2	
Marital status	Single	5	2.0	
	Married	222	88.8	
	Separated	6	2.4	
	Divorced	11	4.4	
	Widowed	6	2.4	
Total years of formal education	No formal education	21	8.4	17.47±9.26
	Primary education	27	10.8	
	Secondary education	96	38.4	
	Tertiary education	106	42.4	
Religion of household head	Christianity	150	60.0	
	Islam	92	36.8	
	Traditionalist	8	3.2	
Household size	< i3	38	15.2	5.10±2.27
	3-6	147	58.8	
	7-10	63	25.2	
	>10	2	0.8	
Do you belong to social association	No	78	31.2	
	Yes	172	68.8	
Names of social associations	Farmers' association	35	20.3	
	Cooperative group	104	60.5	
	Religious organization	31	18.0	
	Community development association	2	1.2	
Primary occupation	Poultry production	132	52.8	
	Other livestock production	12	4.8	
	Crop farming	55	22.0	
	Civil service	25	10.0	
	Artisan	6	2.4	
	Trading	18	7.2	
	Student	1	0.4	
	Transporter	1	0.4	
Secondary occupation	Poultry production	107	42.8	
	Other livestock production	20	8.0	
	Crop farming	70	28.0	
	Civil service	7	2.8	
	Artisan	16	6.4	
	Trading	30	12.0	
Monthly income (?)	= i50,000	41	16.4	
	51,000-100,000	99	39.6	

Source: Field survey (2018)

4.2 Access to credit facilities

Acquisition and utilisation of credit for agricultural purposes promote productivity and consequently improve enterprise profitability. Access to credit would enable farmers venture into new areas as well as acquired improved skills and technology for enhanced performances (Balana and Oyeyemi, 2020). The

distribution of respondents by access to credit facilities was presented in Table 4.2. It reveals that credit was most access from cooperative societies ($\bar{x}=1.19$), family and friends ($\bar{x}=1.07$), and money lenders ($\bar{x}=0.34$). Other sources of credit were poultry association of Nigeria ($\bar{x}=0.22$), Ministry of Agriculture and Rural Development ($\bar{x}=0.16$) and Nigeria Agricultural Cooperative Development Bank (0.16).

Table 4.2 Distribution of respondents by access to credit facilities

Variables	Always		Occasionally		Never		Mean	Rank
	Freq.	%	Freq.	%	Freq.	%		
Cooperative societies	123	49.2	51	20.4	76	30.4	1.19	1 st
Family and friends	83	33.2	102	40.8	65	26.0	1.07	2 nd
Money Lenders	29	11.6	28	11.2	193	77.2	0.34	3 rd
Microfinance banks	15	6.0	47	18.8	188	75.2	0.31	4 th
Commercial banks	16	6.4	43	18.0	189	75.6	0.31	4 th
Poultry Association of Nigeria	16	6.4	23	9.2	211	84.4	0.22	6 th
Bank of Agriculture	14	5.6	28	11.2	208	83.2	0.22	6 th
National Programme for Food Security	10	4.0	33	13.2	207	82.8	0.21	8 th
Investment clubs	16	6.4	14	5.6	220	88.0	0.18	9 th
Nigeria Agricultural Cooperative Development Bank (NACRDB)	9	3.6	21	8.4	220	88.0	0.16	10 th
Ministry of Agriculture and Rural Development	15	6.0	10	4.0	225	90.0	0.16	10 th

Source: Field survey (2018)

4.3 Constraints to the utilization of credit for poultry enterprise

Constraints to credit utilization for poultry enterprise were presented on Table 4.3. On the overall, poultry farmers were most constrained by the high interest rate of credit ($\bar{x}=1.62$). This was a severe and mild constraint to 68.0% and

25.6% respondents respectively. This was followed by the high risk associated with poultry enterprise ($\bar{x}=1.58$), which was a severe and mild constraint to 66.0% and 26.0% respondents, respectively. Cumbersome procedure ($\bar{x}=1.53$) was a severe and mild constraint to 59.6% and 33.6% respondents,

while untimely disbursement of credit ($\bar{x}=1.51$) was severe and mild constraint to 60.0% and 31.2% respondents respectively.

The implication is that high interest rate of credit, high risk associated with poultry enterprise, cumbersome procedure and untimely disbursement of credit were the most severe constraints to credit acquisition and utilization for poultry enterprise in the study area. The high severity of high interest rates as a constraint could be due to the exorbitant rates

charged by formal and informal institutions. Banks and money lenders sometimes charged interest rates that take the whole profit; this added to risks involved and the possibility of losing your collateral in case of defaulting makes credit seeking unattractive. A study by John and Charles (2015) had earlier reported that high interest rate, inherent risks associated with agriculture and delayed disbursement of credit were some of the factors militating against credit utilization among farmers.

Table 4.3: Distribution of Respondents by Constraints Faced in the Utilization of Credit for Poultry Enterprise

Constraint items	Severe constraint		Mild constraint		Not a constraint		Mean	Rank
	F	%	F	%	F	%		
High interest rate of credit	170	68.0	64	25.6	16	6.4	1.62	1 st
High risk associated with poultry enterprise	165	66.0	65	26.0	20	8.0	1.58	2 nd
Cumbersome procedure	149	59.6	84	33.6	17	6.8	1.53	3 rd
Untimely disbursement of credits	150	60.0	78	31.2	22	8.8	1.51	4 th
Short repayment period	119	47.6	102	44.0	29	10.8	1.36	5 th
Lack of insurance	113	45.2	110	44.0	27	10.8	1.34	6 th
Unattainable collateral	107	42.8	116	46.4	27	10.8	1.32	7 th
Insufficient amount collected	108	43.2	106	42.4	36	14.4	1.29	8 th
Lack of group cohesion ion requirement for loan	72	28.8	113	45.2	65	26.0	1.03	9 th
Size of the enterprise	36	14.4	141	56.4	73	29.2	0.85	10 th
The tendency to divert loan to other enterprises	38	15.2	134	53.6	78	31.2	0.84	11 th

Source: Field survey (2018)

4.4: Categorization of respondents by level of constraints to the use of credit for poultry enterprise

Table 4.4 revealed the mean level of constraints was 14.27. An equal number of respondents (50.0% each) experienced high and low levels of constraints to the utilization of credit. This implied that the level of constraints was evenly distributed among the respondents.

Table 4.4: Distribution of respondents by level of constraints encountered

Level of constraints	Frequency	Per cent	Mean	Standard deviation	Min.	Max.
Low (0.00-14.26)	125	50.0	14.27	3.86	0.00	22.00
High (14.27-22.00)	125	50.0				

Source: Field survey (2018)

Correlation analysis between constraints to the utilization of credit and profitability of commercial poultry enterprise

The correlation analysis in Table 4.5 showed there is no significant relationship between constraints to credit utilization ($r = -0.099$, $p = 0.119$) and profitability of commercial poultry enterprise. This implies that constraints to the utilization of credit did not significantly determine the profitability of poultry enterprise. However, the negative correlation observed in the result implied that the more severe the

constraint to credit use, the lower the profitability of the poultry enterprise. Hence, lower utilization of credit will reduce profitability. Generally, an increase in credit to agriculture will lead to increased food production and farmers' income. Abate, Rashid, Borzaga and Getnet (2016) observed that when agricultural credit is properly extended and utilized, it often increases resource productivity, agricultural production, value addition, and net incomes of farmers.

Table 4.5: Correlation analysis between the constraints to the utilization of credit and the profitability of commercial poultry enterprise

Variable correlation	N	r-value	p-value	Decision
Constraints to the utilisation of credit and profitability	250	-0.099	0.119	Not significant

Significant at $p=0.05$

Conclusion

In conclusion, the use of credit significantly increased the profitability of commercial poultry production in Southwest Nigeria. The profitability of commercial poultry enterprises increased across the level of utilization of credit. Meat and egg enterprises were more profitable than meat or egg-only enterprises, with the highest profitability observed in Oyo State. Although access to credit was low, credits for poultry production were mostly accessed from cooperative societies. Poultry farmers had a favorable attitude towards the use of credit for

poultry enterprises. However, the high-interest rate of credit and high risk associated with poultry enterprises constrained the use of credit for poultry enterprise. The size of the enterprise, years of farming experience, access to credit facilities, number of employees, type of enterprise, and credit utilization determined the profitability of commercial poultry enterprises. Additionally, sex, marital status, membership in social associations, and monthly income were associated with the profitability of commercial poultry enterprises. Commercial poultry farms were owned by sole proprietors, who primarily

produced both egg and meat for sales, and the use of battery cage systems was the common practice. Sourcing of start-up capital from personal savings, high dependence on self-labor, and irregular visits by extension agents were predominant. Finally, male gender, total years of poultry enterprise experience, and source of start-up capital were significant determinants of the profitability of commercial poultry enterprises in the Southwest of Nigeria.

5.2 Recommendations

Based on the conclusion, the following recommendations are proffered for constraints faced in the utilization of credit for poultry enterprise in South-western, Nigeria

1. Government and financial institutions should empower cooperative societies with adequate funds.

2. Poultry farmers should form cooperative societies to enable them to access loans from the various financial institutions.

3. The high interest and procedures for securing loans should be reviewed in order to make it simple and attractive for the farmers.

4. There is also the need to motivate and provide resources for agricultural extension agents, and extension services should be improved in terms of regular visitation to farmers and linking them to financial institutions and cooperative societies.

5. Government and other stakeholders' efforts should be directed towards policies and programs that will further enhance those factors that will increase farmers' decisions to use agricultural credit.

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