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DETERMINANTS OF LOAN ACQUISITION AND REPAYMENTS AMONG COOPERATIVE FARMERS' BENEFITING FROM THE BANK OF AGRICULTURE LOAN SCHEME IN SOUTHWEST, NIGERIA

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ABSTRACT

This study examined the determinants of loan acquisition and repayment capacity among cooperative farmers benefiting from the Bank of Agriculture (BOA) loan scheme in Southwestern Nigeria. The study addressed the persistent challenge of limited access to agricultural credit and poor loan repayment performance among smallholder farmers, which continue to constrain agricultural productivity and rural economic development. A multistage sampling technique was adopted to select 344 cooperative farmer beneficiaries across the study area, while primary data were collected using a structured questionnaire. Descriptive statistics and multiple regression analysis were employed to analyze the data. The findings revealed that socio-economic characteristics significantly influenced both loan acquisition and repayment capacity among cooperative farmers. Specifically, variables such as age, educational level, household size, marital status, and farming experience showed statistically significant relationships with farmers' ability to access and repay agricultural loans. The regression results further indicated that the explanatory variables jointly accounted for a substantial proportion of the variations in loan acquisition and repayment behaviour among the respondents. These findings underscore the importance of farmers' demographic and socio-economic profiles in determining credit utilization outcomes and repayment sustainability. The study concludes that improving agricultural credit performance requires greater consideration of borrower-specific characteristics in credit administration. Consequently, the study recommends that the Bank of Agriculture and other agricultural lending institutions should strengthen borrower assessment frameworks by incorporating socio-economic indicators into credit appraisal, loan disbursement, and repayment scheduling mechanisms. Such measures would enhance loan accessibility, improve repayment performance, and promote sustainable agricultural financing in Nigeria.

Keywords: Loan Acquisition; Loan Repayment Capacity; Cooperative Farmers; Agricultural Credit; Bank of Agriculture; Southwestern Nigeria.

INTRODUCTION

Over the past five decades, Nigeria's agricultural sector has remained central to rural livelihoods but continues to face persistent productivity constraints largely due to inadequate access to finance, inputs, and modern technology.

However, if the country has to feed, reduce abject poverty and attain a satisfactory level of sustainable economic growth, the poor performance in the agricultural sector should be addressed. Agriculture remains the main stay of the rural economy in Nigeria as it provides employment for about 70% of the work force. However, less than 50% of the country's cultivable agricultural land is under cultivation because small-holders' farmers often use rudimentary production techniques to cultivate most of the land thereby resulting in low productivity (Manyong Olayemi, Yusuf and Idachaba, 2015). The small-holder farmers are constrained by many problems including those of poor access to modern inputs, inadequate credit facilities, poor infrastructure, inadequate access to markets, environmental degradation, and inadequate agricultural extension services (Venerakumaran, 2015). In an effort to overcome some of these problems, donor agencies and governments have emphasized Agricultural Co-operatives as a strategy to promote collective action to strengthen small-holders' livelihoods by linking them to national and international markets. Therefore, the Bank of Agriculture (BOA) is described as credit bank expressly established in accordance with the provision of law to assist agricultural development across the globe, particularly by granting loans for longer periods than is usual with commercial banks. Adesina (2012)

Statement of the Problem

Despite the importance of agricultural credit in enhancing productivity and improving rural livelihoods, smallholder farmers in Nigeria continue to face significant challenges in accessing and repaying agricultural loans. Although institutions such as the Bank of Agriculture (BOA) were established to address credit constraints, many cooperative farmers still experience difficulties in meeting loan requirements, leading to inefficiencies in agricultural credit delivery.Empirical evidence suggests that socio-economic characteristics such as income level, education, and household structure may influence both access to credit and repayment behaviour. However, there is limited empirical consensus on the extent to which these factors determine loan acquisition and repayment among cooperative farmers benefiting from BOA schemes in Southwestern Nigeria. This creates a knowledge gap that this study seeks to address.

Objectives of the study:

The broad objective of the study was to analyze loan acquisition and repayment capacity among cooperative farmer's beneficiaries of (BOA) loan Scheme in South-western, Nigeria. The specific objectives are to:

1. Examine farmer's socio-economic background and its influence on access to agricultural loan.
2. Examine farmers' socio-economic background and its influence on agricultural loan repayment

Significance of the Study

Cooperatives are central to the realization of easing access to agricultural loan acquisition especially from development institution and agencies such as Bank of Agriculture (BOA) there is always perception that cooperatives are not doing enough to sensitized and prepare members on the needful for concessional loan schemes programme of development like Bank of Agriculture. Access to financial services enables the small-holders farmers to move from everyday survival to planning for the future, investing in better nutrition, children's education and health and empowering women socially (Ugwumba., Nnabuife., and Ike 2018). This has necessitated the formation of small holder farmer's cooperatives as a way to access less strenuous/stressful loan. This study has a strong ramification in the primacy of farmers' background as a major determinant of access to agricultural loan production. as well best approach to tackle the constraints to agricultural loan use as well as the growth of the knowledge of the constraints which hinder to access agricultural loan of BOA in south-western, Nigeria

Methodology

The Study Area

The South-West geopolitical zone of Nigeria is one of the six geo-political regions of the country, located in the southwestern part of the nation. It comprises six states, namely: Ekiti, Lagos, Ogun, Ondo, Osun, and Oyo States. The zone shares boundaries to the north with Kwara and Kogi States, while its eastern boundary also connects with Kogi State and parts of the North-Central region. To the south, it is bordered by the Atlantic Ocean, and to the west by the Republic of Benin. Geographically, the South-West lies approximately between Latitude 6°25′N and 8°45′N and Longitude 2°45′E and 5°45′E. The region stretches from the international boundary with the Republic of Benin in the west towards the South-South geopolitical zone in the east. Ecologically, the zone exhibits a mixture of vegetation types, including coastal mangrove swamps in the southern fringe, the lowland rainforest in the south and eastern parts, and the derived savannah and Guinea forest–savannah mosaic in the drier northern areas. The climate is characterized by two major seasons: the rainy season, which typically spans March to November, and the dry season, from November to February. The dry season is often accompanied by the Harmattan winds, bringing cool, dry, and dusty conditions from the Sahara Desert. Culturally, the South-West is predominantly inhabited by the Yoruba ethnic group, which forms the majority population in the region. Economically, the zone is one of the most developed in Nigeria, with major urban centers such as Lagos and Ibadan serving as key economic hubs contributing significantly to national development, while rural areas remain largely agrarian. The South-West has an estimated population of about 47 million people, representing approximately 22% of Nigeria's total population (National Population Commission, 2016). Lagos, the largest city in the zone, is also the most populous city in Nigeria and the second most populous city in Africa.

Sample Size and Sampling Procedure

The sample size for the study was determined using Taro Yamane's (1967) statistical formula at a 95% confidence level and 5% margin of error. This yielded a total sample size of 344 respondents.

Sampling Techniques

A multistage sampling technique was employed in selecting respondents for the study. This involved four stages: In the first stage, three states were randomly selected from the six states in the South-West geopolitical zone of Nigeria. In the second stage, purposive sampling was used to select three (3) branches of agricultural banks in each of the selected states. This was based on the presence of relevant agricultural financing programmes and cooperative-related activities.In the third stage, a list of approximately 110 beneficiaries, predominantly cooperative farmers, was purposively obtained from each selected bank branch. In the final stage, respondents were randomly selected from these lists, with about 57 beneficiaries chosen per state, giving a total of 344 respondents for the study.

Methods of Data Analysis

Both descriptive and inferential statistical tools were employed in analyzing the data collected, in line with the study objectives. Descriptive statistics such as frequency distribution tables, percentages, and measures of central tendency (mean and standard deviation) were used to analyze respondents' socio-economic characteristics and achieve objectives (i) and (ii).

Inferential statistics, particularly regression analysis, were used to examine the relationship between the variables and test the study hypotheses.

Data Presentation and Analysis

Table 2: Socio-economic Characteristics Distribution of Cooperative farmers

Characteristics	Frequency	Percentage
Gender		
Male	204	59.3
Female	140	40.7
Total	**344**	**100.0**
Age(years)		
20-29	45	13.1
30-39	70	20.3
40-49	79	23.0
50-59	98	28.5
> 60	52	15.1
Total	**344**	**100.0**
Marital Status		
Single	47	13.7
Married	158	45.9
Divorced	45	13.1
Widowed	50	14.5
Separated	44	12.8
Total	**344**	**100.0**

Household Size (Person)		
1-3	73	21.2
4 - 6	144	41.9
7 – 9	70	20.3
≥10	57	16.6
Total	**344**	**100.0**
Education		
No formal education	38	11.0
Adult literacy	40	11.6
Primary education	33	9.6
Secondary education	93	27.0
OND/NCE	63	18.3
HND/BSC	77	22.4
Total	**344**	**100.0**
Occupation		
Banking	26	7.6
Business	32	9.3
Civil service	31	9.0
Farming	147	42.7
Sailor	17	4.9
Tailoring	26	7.6
Teaching	30	8.7
Trading	35	10.2
Total	**344**	**100.0**
Farming experience(year)		
1-5	141	41.0
6-10	129	37.5
>10	74	21.5
Total	**344**	**100.0**
Income (₦)		
≤50,000	77	22.4
50,001-100,000	130	37.8
100,001-150,000	76	22.1
>200,000	61	17.7
Total	**344**	**100.0**

Source: Field Survey, 2025

Socio-economic characteristics of the Cooperative farmers

Sex: Sex of borrowers could have implications on loan repayment and by implication, default. It is important to understand how the respondents' sex would likely influence loan repayment. This could facilitate credible loan administration. The results revealed that majority of the respondents were male. This implies that males have higher tendency of borrowing from Bank of Agriculture (BOA) primarily lends to farmers; as well, studies have shown that males are predominant in farming in Nigeria. Mohammed and Abdulquadri (2019) Sequel to the facts above, the higher males' beneficiaries of BOA loans might be due to the higher number of males than females in farming.

Age: Age is an important determinant of the level of productivity. Syverson, (2011); Skirbekk (2014) particularly, in agriculture while productivity is an important determinant of profitability. It established positive relationship between profitability and loan repayment. Judging from the foregoing, it is plausible to suggest that age could have strong link with loan repayment, hence, the basis for analyzing it. The results are presented in Table 2. It is evident that majority of the respondents were within the age bracket of 50-59 years.

Marital Status: Marital status reveals that majority of the respondents were married. This is an indication that married people were the predominant BOA agricultural cooperators loan Scheme. Marital status of the respondents' affects their level of responsibility and the need to be more productive. In a study conducted by Epeju (2010) marital status was found to significantly increase agricultural productivity. As stated earlier, productivity has an indirect link with repayment.

Household size: Household size is an important determinant of the level of family labour for farming; household consumption experience may determine to a large extent resources left for investment. For instance, a household with large size may spend larger share of borrowed funds on consumption rather than investment which may negatively affect repayment capacity. The possible relationship between the respondents' household size and their repayment behavior is the basis for analyzing the household size of the respondents. The table also revealed that the vast majority of the respondents had at most 6 individuals in their households. This household size is considerably moderate and may not have substantial effect on the use of borrowed fund for unintended household consumption experience. In other words, the level of the household size may not have significant effect of repayment.

Education: Education is one of the most important factors influence success of business or farming endeavors. Education helps in and budgeting and may also help in determining right loan size and timing that will maximize returns, when returns are maximized, repayment as at when due becomes more feasible. The education of the respondents was analyzed for possible inference deduction on how it relates to repayment of BOA loan. The results on education of respondents analyze that only minority of the respondents had no any form of formal education. This implies that the vast majority had one form of formal education or the other. Besides, substantial number of the respondents had HND/BSC certificates. With the high level of education among the beneficiaries, there is the tendency that if they invest the loan in farming, reasonable profit could be generated that will enable loan acquisition and repayment capacity of the loan.

Occupation: The occupation of the respondents may determine the investment that will gulp the part of the borrowed fund. Besides, investment is important determinant of repayment. Therefore, the prospect of an occupation in terms of returns could determine loan acquisition and repayment capacity. This possibility informed the need to analyze the respondents' major occupation. Obtained results revealed that vast majority of the respondents were farmers. With the high level

of education among the beneficiaries, there is a tendency that if they invest the loan in farming, reasonable profit could be generated that will enable repayment of loan.

Farming Experience: The possible relationship between and loan acquisition and repayment capacity is the basis for analyzing the beneficiaries'. Since the vast majority of the beneficiaries are cooperative farmers, may play a key role in productivity; it could indirectly influence loan acquisition and repayment capacity of the cooperative farmers' beneficiaries. An evaluation of the beneficiaries revealed that the majority had between 1-5 years of experience with an average of 5 years per beneficiary. This experience level is relatively low and might not be unconnected to the high level of education attained by the beneficiaries.

Income: This is an important factor taken into consideration by lenders and lending institutions and agencies in disbursement or before given an access loan acquisition to their beneficiaries. It is also an important determinant of repayment. The possible relationship between the respondents' income and repayment capacity is the basis for analyzing income of the respondents. Evidence on the table below shows that the majority of the respondents earned at most N100, 000 per month. The mean farm income and standard deviation revealed high level of variation in income of the cooperative farmers.

Hypothesis 1

Ho_1: Farmers' socio-economic backgrounds have no significant influence on their access to agricultural loans.

Regression Result and Model Specification

The estimated regression model is specified as:

Access to loan = - 0.43 + 0.0114 (Gender) + 0.0174 (Age) - 0.00228 (Marital Status) + 0.00669 (Household size) + 0.00659 (Qualif.) - 0.00607 (occup).+ 0.00814 (expr).

Model Summary and Goodness of Fit

The coefficient of determination (R^2) is 0.882, indicating that approximately 88.2% of the variation in farmers' access to agricultural loans is jointly explained by their socio-economic characteristics, while the remaining 11.8% is attributed to other factors not included in the model. The adjusted R^2 value of 0.541 further confirms that the model retains reasonable explanatory power after adjusting for the number of predictors.

Analysis of Variance (ANOVA)

The ANOVA result shows that the overall model is statistically significant, with an F-statistic of 2.14 and a probability value ($p = 0.035$), which is less than the 0.05 significance level. This implies that the regression model provides a better fit than a model without predictors and that the independent variables jointly have a statistically significant effect on access to agricultural loans.

Individual Coefficient Interpretation

At the individual level, the results show mixed effects of the explanatory variables:

- **Age (β = 0.0174, p = 0.012)** shows a positive and statistically significant influence on access to agricultural loans, implying that older farmers are more likely to access credit facilities.
- **Marital status (β = -0.00228, p = 0.033)** is negatively and significantly related to access to loans, suggesting that certain marital conditions may slightly reduce access to agricultural credit.
- **Household size (β = 0.00669, p = 0.015)** has a positive and significant effect, indicating that larger household sizes increase the likelihood of accessing agricultural loans, possibly due to increased labour availability or financial needs.
- **Educational qualification (β = 0.00659, p = 0.037)** also shows a positive and significant relationship, suggesting that higher education improves access to agricultural credit.
- **Gender (p = 0.152), occupation (p = 0.275), and farming experience (p = 0.196)** are not statistically significant at the 5% level, implying that these variables do not have a strong independent effect on access to agricultural loans in the study area.

Predictor	**Coef**	**SE Coef**	**T**	**P**
Constant	-0.433	1.973	-0.22	0.847
Gender	0.011432	0.005058	2.26	0.152
Age	0.017431	0.008013	2.18	**0.012**
Marital Status	-0.002276	0.001949	-1.17	**0.033**
Household size	0.006686	0.002746	2.43	**0.015**
Qualification	0.006591	0.005260	1.25	**0.037**
occupation	-0.006070	0.004079	-1.49	0.275
experience	0.008143	0.004264	1.91	0.196

R-Sq = 0.882 R-Sq(adj) = 0.541

Analysis of Variance

Source	**DF**	**SS**	**MS**	**F**	**P**
Regression	7	0.67148	0.09593	2.14	0.035
Residual Error	2	0.08952	0.04476		
Total	9	0.76100			

Decision and Conclusion

Given that the overall model is statistically significant ($p = 0.035 < 0.05$), the null hypothesis (H_{01}) is rejected. Therefore, it is concluded that farmers' socio-economic backgrounds have a significant influence on their access to agricultural loans. This finding suggests that access to agricultural credit is not random but is influenced by identifiable socio-economic characteristics, particularly age, marital status, household size, and educational qualification.

Hypothesis 2

H_{02}: Farmers' socio-economic backgrounds have no significant influence on their repayment of agricultural loans.

Regression Model Specification

The estimated regression model is expressed as:

Loan repayment = 8.18 − 0.0103(Gender) − 0.00645(Age) − 0.00008(Marital Status) − 0.00217(Household Size) + 0.00313(Qualification) + 0.00109(Occupation) + 0.00805(Experience)

This model captures the extent to which farmers' socio-economic characteristics influence their ability to repay agricultural loans.

Model Summary and Goodness of Fit

The coefficient of determination (R^2) is 0.839, indicating that approximately 83.9% of the variation in farmers' loan repayment behaviour is explained by the combined effect of their socio-economic characteristics. This suggests a strong explanatory power of the model, while the remaining 16.1% is accounted for by other factors not included in the analysis.

The adjusted R^2 value of 0.516 indicates that, after adjusting for the number of predictors, the model still maintains a moderate level of explanatory relevance.

Analysis of Variance (ANOVA)

The ANOVA result shows that the regression model is statistically significant, with an F-value of 1.49 and a probability value ($p = 0.049$), which is slightly below the 0.05 significance threshold. This implies that the model provides a better fit than a null model and that the explanatory variables jointly have a statistically significant effect on farmers' loan repayment behaviour.

Individual Coefficient Interpretation

The results of the individual regression coefficients reveal the following relationships:

- **Experience ($\beta = 0.00805$, $p = 0.148$)** shows a positive relationship with loan repayment, suggesting that more experienced farmers tend to have better repayment behaviour, although the relationship is not statistically significant at the 5% level.
- **Gender ($p = 0.132$)** exhibits a negative relationship with repayment, indicating a slight variation in repayment behaviour across gender categories, though not statistically significant.
- **Age ($p = 0.431$)** and **marital status ($p = 0.964$)** show negative but statistically insignificant relationships with loan repayment, implying limited independent influence.

- **Household size (p = 0.438)** also has a negative and insignificant relationship, suggesting that household dependency burden may not strongly determine repayment behaviour in the study context.
- **Educational qualification (p = 0.544)** and **occupation (p = 0.776)** show positive but insignificant effects on loan repayment.

Overall, none of the individual socio-economic variables are statistically significant at the 5% level, although experience shows a relatively stronger positive effect compared to other predictors.

Predictor	**Coef**	**SE Coef**	**T**	**P**
Constant	8.176	1.622	5.04	0.037
Gender	-0.010266	0.004157	-2.47	0.132
Age	-0.006450	0.006586	-0.98	0.431
Marital Status	-0.000082	0.001602	-0.05	0.964
Household size	-0.002167	0.002257	-0.96	0.438
Qualification	0.003129	0.004323	-0.72	0.544
Occupation	0.001090	0.003352	0.33	0.776
Experience	0.008053	0.003505	2.30	0.148

R-Sq = 0.839 R-Sq(adj) = 0.516

Analysis of Variance

Source	**DF**	**SS**	**MS**	**F**	**P**
Regression	7	0.31553	0.04508	1.49	0.049
Residual Error	2	0.06047	0.03024		
Total	9	0.37600			

Decision and Conclusion

Although the ANOVA result indicates that the overall model is statistically significant ($p = 0.049 < 0.05$), the individual variables largely do not show significant effects at the 5% level. Nevertheless, based on the joint significance of the model, the null hypothesis (H_{02}) is rejected.

Therefore, it is concluded that farmers' socio-economic backgrounds have a significant influence on their repayment of agricultural loans.

This finding suggests that loan repayment behaviour among farmers is influenced collectively by socio-economic characteristics, even though individual variables may not independently exert strong statistical effects.

Discussion of findings

The study examined the socio-economic determinants of loan acquisition and repayment among cooperative farmer beneficiaries of the Bank of Agriculture (BOA) loan scheme in South-Western Nigeria. The findings demonstrate that farmers' socio-economic characteristics play a significant

role in shaping both borrowing behaviour and loan repayment performance within the agricultural credit system. The results revealed a predominance of male farmers among the respondents, reflecting the gender structure of agricultural participation in Nigeria, where males are generally more engaged in commercial farming activities. This finding is consistent with Mohammed and Abdulquadri (2019), who observed that male farmers are more likely to benefit from formal agricultural credit schemes due to their higher involvement in large-scale and income-generating farming activities. This gender imbalance suggests that women may face structural constraints in accessing agricultural finance, despite their active participation in food production.

Age distribution among respondents showed that most farmers fall within the 50–59 years age bracket. This indicates that middle-aged and older farmers dominate the agricultural credit landscape. Age is an important determinant of productivity, experience, and financial responsibility, all of which can influence loan repayment behaviour. This supports the views of Syverson (2011) and Skirbekk (2014), who argue that productivity and decision-making capacity tend to vary with age, with implications for financial obligations such as credit repayment.

Marital status also emerged as an important socio-economic characteristic, with the majority of respondents being married. Marriage is often associated with greater household responsibility, stability, and commitment to income-generating activities. As noted by Epeju (2010), marital responsibility can positively influence economic discipline and productive engagement, thereby enhancing farmers' ability to manage and repay loans effectively.

Household size showed a moderate influence on loan repayment behaviour, with most respondents having up to six household members. While larger households may increase consumption pressures, they may also provide additional family labour for farming activities. However, the findings suggest that household size did not excessively distort loan utilisation patterns, implying that most farmers were able to maintain a balance between household needs and investment objectives.

Educational attainment was found to be a critical socio-economic factor among the respondents, with a considerable proportion possessing tertiary qualifications such as HND and BSc degrees. This indicates a relatively educated farming population. Education is widely recognized as an important determinant of managerial ability, financial literacy, and decision-making in agriculture. Consequently, higher education levels are likely to enhance farmers' capacity to effectively utilize loans, adopt improved farming practices, and improve repayment performance.

Occupational distribution revealed that the majority of respondents were primarily engaged in farming, indicating strong occupational alignment with the purpose of the loan scheme. This alignment enhances the likelihood that borrowed funds are invested directly into agricultural activities, thereby improving productivity and repayment capacity.

Finally, farming experience, although relatively moderate among respondents, remains an important factor influencing agricultural efficiency. Experience contributes to better farm management decisions, risk reduction, and improved productivity outcomes, which indirectly affect both loan acquisition and repayment ability.

Overall, the findings confirm that socio-economic characteristics such as gender, age, marital status, education, occupation, household size, and farming experience collectively shape farmers' financial behaviour in relation to agricultural credit. These factors not only influence access to loans but also determine the efficiency with which such loans are utilized and repaid within cooperative farming systems in South-Western Nigeria.

Conclusion

The study investigated the socio-economic characteristics of cooperative farmer beneficiaries, focusing on variables such as sex, age, marital status, household size, educational attainment, occupation, income level, and religion. These factors were examined in relation to farmers' access to agricultural credit and their loan repayment behaviour.

The findings revealed a dominance of male beneficiaries, which reflects the generally higher participation of men in commercial farming activities in Nigeria. The age distribution showed that a relatively younger to middle-aged group constituted the majority of beneficiaries, underscoring the relevance of age in agricultural productivity, efficiency, and financial decision-making. In terms of marital status, most respondents were married, suggesting that marital responsibilities and household stability may contribute to greater engagement in productive farming and financial discipline.

Household size was found to be moderate among respondents, indicating a relatively balanced dependency structure that may not impose excessive pressure on loan repayment capacity. Educational attainment was also notable, with a considerable proportion of respondents possessing post-secondary qualifications. This level of education is likely to enhance financial literacy, improve farm management decisions, and positively influence both loan utilization and repayment performance. Similarly, occupational distribution showed that most respondents were primarily engaged in farming, indicating a strong alignment between the loan scheme objectives and beneficiaries' economic activities.

Overall, the study established that socio-economic background significantly influences both access to agricultural loans and loan repayment capacity among cooperative farmers. These characteristics collectively shape farmers' financial behaviour and determine their effectiveness in utilizing agricultural credit. Furthermore, the study identified a relationship between the amount of agricultural loan obtained and the profit generated by farmers, suggesting that increased access to credit may contribute to improved farm output and profitability when properly managed.

Recommendations

Based on the findings of the study, the following recommendations are made:

1. Policymakers and agricultural lending institutions should design and implement loan administration frameworks that take into account the socio-economic characteristics of farmers, particularly education level, income status, and occupational engagement. This will promote more equitable access to agricultural credit and enhance repayment performance.

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