

IMPACT OF INTEREST RATE ON AGRICULTURAL BUSINESS IN NIGERIAOnomuhara Oke Godwin¹ & DR ISEREMEIYA COMFORT²

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ABSTRACT

As a backbone of economic growth, banks provide financial and non financial services. With the contribution of both entrepreneurship 51% and 22% for agriculture, pursuing the workability of this ideal for agribusiness strategization and fasttracking attainment of the year 2024 Economic growth, This study examines the effect of interest rate on agricultural business in Nigeria. Data collection was through questionnaire, administered to agribusiness customers of First Bank, Nigeria plc and United Bank for Africa. Data analysis was through frequencies, percentages and T-test analytical techniques. Findings revealed that high interest rate has effect on access to loans by agribusiness investors. The study recommends augmenting agribusiness performance through interest rate reduction, increased access to loans, and inclusion of cooperative bodies in finance policies and programmes. Further studies may increase the number of banks covered and other policies that influence agribusiness

Keywords: Agricultural business, interest rate, financial policy, Economic growth, loan.

INTRODUCTION**1. BACKGROUND OF THE STUDY**

The performance of small-scale farmers in Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB), in terms of loan repayment, the study in its findings indicated unnecessarily delayed loan repayment due to cumbersome loan processes and poor access to the facility (Olagunju 2018). Emphasis was laid on the importance of loan capital to the beneficiaries in this business, thus pointing to the gap which the money deposit banks are positioned to cover. Situating this position is the Agricultural Promotion Policy which focused on enabling stakeholders in Agribusiness to

build ‘an agribusiness economy that is capable of delivering a sustained food security, export and income generating opportunities’ as well as providing employment opportunities towards an enduring national economic growth (Ogbeh 2016).

Money Deposit Banks (MDBs) perform such functions as financing economic activities in areas such as agriculture, commerce, manufacturing and trade, as such they are regarded as the backbone of all economic activities (Fan & Rosegrant, 2008). MDBs in Nigeria are financial institutions established to primarily provide financial services alongside non-financial services for example, advisory services, technical and managerial training, pre-loan training, etc. These are assumed to contribute to the development and improvement of agribusinesses, capacity enhancement of individual-trainee entrepreneur and the national economy as a whole.

The provision of loans however attracts interest charges either on a simple or compounding interest rate which varies between 12 to 14 % (CBN 2018). Businesses seek loans when there is liquidity challenge, an urgent need to acquire equipment, raw material or other business needs. Loans attract interest charges which must be paid back with the principal. (Adeusi 2000, Akinola 2013) Whereas, agribusinesses need fund for day-to-day operations, the investors face difficulties of accessing the bank credits, due to lack of collateral, illiteracy and bottle necks in bank services (Fan and Rosegrant 2008, Eke 2015), and those that eventually get the loan credits, have to pay a very huge sum out of their income by way of interest, which ranges from 12 to 14% with an average of 10.67%, (CBN, 2017). Interest rate implies a cost of fund which is applied on loans to any fund borrower. Agribusiness being a new venture-sector is perceived as contributing to economic growth and so require a total approach that enables high performance in terms of high profitability or income, as well as reduced overhead costs. Business plans are funded with equity fund and loans (if available for small scale businesses but for medium and large sale businesses, there is often a need for adding loan in order to effect business decisions (Obilor 2013) and equally take advantage of tax benefits. Within the focus of this study, some of the causes identified as responsible for business failure include high interest rate on loans and acute shortage of funds for financing business needs. Various levels of businesses close down as a result of shortage of funds for financing their business needs with business failure rate of about 30 to 40%, (Nobel 2011; Benjamin 2014).

Access to loan facilities often constitute a daunting challenge due to the effect of interest charge applied on loans (Kwaning et al, 2015). Even though the trade-off theory on capital structure mix, emphasized that the use of debt impacts the return on equity, some investors are risk-averse because they are not inclined to use debt financing. The accompanying interest constitutes an area that requires objective assessment if the goal of economic diversification is to be achieved in 2020. A case-study by Chetam, Dzanja, Gondwe and Maliro (2016), found that in spite of offering loan services being a primary role of Banks, interest rate charge impeded the use of the service by small scale farmers. Serious challenge area to borrowers is that banks do not advertise their lowest business

loan rate, interest rate on business loans are usually negotiated based on the strength of the applicant, size of the loan and equity position (Dargan 2018).

Given the background of agribusinesses in Nigeria, and the vision to attain high contribution to economic growth, this study will examine the effect of interest rate on the growth and development of agri-businesses in Nigeria. There are two important objectives of the vision 2020, first is economic diversification with a view to strategizing the economy by expanding the revenue source instead of the mono-product, oil-dependent economy and secondly the transformation of the structure of exports from primary commodities to processed and manufactured goods. Extant literature nonetheless, alluded the need to embrace a combination of entrepreneurship and agriculture and this need cannot be over emphasized (Modiba 2009, Nwankwo 2013, Alao 2017). The combination of the processes of entrepreneurship and agriculture referred to as agribusiness is a dynamic and fundamental undertaking that serves customers globally and locally through innovation, advancement and management of different value chains (Edwards and Schultz, 2005). The growth and expansion of agribusiness is largely dependent on credit provided by micro finance and money deposit banks as well as other finance institutions. Citing one of the agriculture financing programmes, Agricultural Credit Guarantee Scheme Fund (ACGSF) 75% bank loan has been provided by the bank (Okolo, 2004). Revenue contribution from agriculture ranged from N3,487,312.92 (2015), N48,592,436.87 (2016), N5,789,365.99 (2017) and N2,594,759.86 (1st Qtr. 2018) indicating likely positive returns from embracing the use of loan credit.

Agriculture plays significant roles in the economy, because it alleviates poverty (Christiaensen 2006, Ivaric 2011), reduces unemployment and provides raw materials to the non-agricultural sector of the economy (Ayinde, 2011). With the contribution of both entrepreneurship 51% and 22% for agriculture (Udih 2011, Abdul-kemi 2014)), pursuing the workability of this ideal for agribusiness strategization and fast-tracking attainment of the year 2020 economic growth vision is important.

The study outline indicates, Statement of Problem, the main objective of the study and the hypotheses and the methodological approach adopted in the study. The second stage features the indepth literature review comprising conceptual, theoretical and empirical framework of the study.

The final part is the data analysis, discussion of result, conclusion and recommendation.

1.2 Statement of Problem

Agribusiness in Nigeria remains relatively low and stunted in growth over the years. This is due to lack of access to sustainable loan finances, non-inclusiveness of agriculture in financial programmes and high interest rate on borrowings by men and women in agribusiness. Policies in terms of agribusiness have not been given specific attention that could drive attainment of 2024 vision of effectively improving development and economic growth through a combined role of entrepreneurship and agribusiness. Agricultural growth

and development are retarded due to poor funding and general lack of credit facilities thus making it difficult for farmers to innovate(Also 2017). Borrowers are uninformed about the lowest business loan rate and many do not possess the bargaining capacity. The innovation, which a farmer might wish to carry out, is a function of available financial resources. There is sparse presence of banks and other financial institutions in rural areas thus limiting the farmers' opportunity to access finance for investment. Providing laudable solutions to the problems of agricultural development and creating a take-off base for agribusiness is linked to applying strategic measures in agribusiness. The main objective of the study is to examine Money Deposit Banks and the Effect of Interest Rate on Agribusiness.

1.3 Objective of the study

The broad objective of the study is examine the impact of interest rate on agricultural business The specific objective are

- i. To examine effect of Interest rate on the use of loans for agribusiness.
- ii. To examine the relationship between provision of credit facilities and the performance of agribusiness.

1.4 Research hypothesis

The study examines the following hypotheses-

Hypothesis 1: Interest rate has no significant effect on the use of loans for agribusiness.

Hypothesis 2: There is no significant relationship between provision of credit facilities and the performance of agribusiness.

1.5 Scope of the study

The study adopts the survey design. Population of the study comprises 43 Agribusiness customers of First bank plc and 44 UBA Plc randomly selected, their selection is based on their agribusiness financing perception. Sample size as determined by using Taro Yamane formula was First Bank 51 and UBA 56.

Data collection was through questionnaire administered to agribusiness customers operating with First Bank of Nigeria plc and United Bank for Africa. Data analysis was carried out using frequencies, percentages and T-test analytical techniques.

Review Of Relevance Literatures

2.1 The Concept of Agricultural Finance

Agricultural finance is the study of acquisition and use of capital in agriculture (Alao 2017). Agricultural credit refers specifically to the process of obtaining control over the use of money, goods and services, in exchange for a promise to repay at future date.

Several approaches have been embraced in order to resolve the need to diversify into agriculture; one of these is through agribusiness and instituting various financing bodies to administer the funding plan. Unfortunately, this is usually high-jacked by the political class. On the other hand, awareness of the funding opportunities and aversion to taking loans impeded the success of the funding goal. Agribusiness if given the right policy in terms of finance shall give rise to so much multiplier effect with increased access to credit facilities better than the 3.9% loans or credits to farmers. Equally, MDBs' credit facility to agribusiness when effectively applied, will enable farmers to meet different everyday operational costs, (Selvaraj, 2014). The agricultural finance market is poised to greatly influence the access to finance, rural development and private sector investment in agribusiness. Lending to the sector from the financial market is unarguably low (World Bank 2008) in spite of government efforts directed at improving the financial sector by increasing the fi

2.3 Constraints to Development of Agriculture/Agribusiness

Despite the priority given to agriculture in Nigeria, the sector still continues to encounter some difficulties. One of the major problems encountered in financing agriculture in Nigeria is that of the channel used in extending loans. Inadequacy of funds (Tomori 1979), communication process between operators of the funding scheme, agricultural sector and administration in general (Ayinde 2014) are equally identified as impediments to the development of agribusiness.

To this extent, poor and low levels of productivity, low income levels, poor money saving and investment attitudes are identified as teething challenges that must be adequately addressed in order to overcome the problems of underdeveloped economy (Oluwasanmi (1985).

2.4. CHALLENGES OF AGRIBUSINESS FINANCIAL POLICIES

The failure of previous policies has continued to remain as daunting challenges to the application of agricultural and agribusiness financing (Adetiloye 2012). These problems akin to the general problems that are inhibiting entrepreneurial and economic growth are, inability to deliver effective services, low management capacity of farmer-clients, failure of banks to support agricultural ventures, paucity of loanable funds, poor institutional policies, political interference, and misdirection of funds meant for funding agriculture-related businesses (Akinola 2012, Adetiloye, 2012, Ayinde 2014, Kwaning et al 2015). The intention of government that the appropriate interest rates for agricultural loans be kept low to promote agribusiness development and to assist small scale farmer-entrepreneurs sometimes end up in the hands of big farmers.

2.4 THEORETICAL REVIEW

The relevant theories adopted for the study include the Credit Creation Theory (1992) and The Theory of Agricultural Development (1982) and the Signaling Theory (2004).

2.3.1 The Credit Creation Theory by Werner 1992

Werner posited that the banking sector be reflected appropriately in macroeconomic models since it is the main creator and allocator of money supply. The Credit Creation theory states that ‘when a bank issues out a loan, it fabricates that loan out of nothing’. This assertion was further amplified by Davenport (1913) when he submitted that “Banks do not lend their deposits, but rather, by their own extensions of credit, create the deposits”. Bank deposits are sometimes referred to as ‘credit money’, they were created by banks to serve as means of issuing loans. Following the 1920’s and more up to the 1960’s, the favored hypothesis is that banks utilize fractional reserve banking. The theory of ‘credit creation’ brings out the peculiar mechanism of savings and investment that are characteristics of fully-fledged capitalist society and the true role of banks in capitalist evolution’, the credits when turned to loans bear interest charges.

2.3.2 Theory of Agricultural Development (Ester Boserup, May 18, 1910 – September 24, 1999)

Boserup (1999), a Danish Economist, examined the problems and processes of agricultural development. She maintained the view that agricultural development is due to some kind of compulsion which is linked to a rising trend in population. Extant literature indicated that agricultural development occurs when substantial productive capacity and high output per worker permits a very small number of farmers to feed the entire nation (Dorward 2013). Agricultural development implies improved farming techniques with proper and adequate use of such inputs as fertilizers, pesticides, improved seeds, water storage facilities, marketing and transportation as important to achieving development however, an identified obstacle to the development of agriculture in Nigeria is the inadequacy of credit facilities, this inhibited the chances of farmers to function effectively (Tomori 1979, Ingo & Nash 2004).

2.3.3 The Signaling Theory

The Signaling theory states that ‘good companies should provide more collateral so that they can signal the banks that they are less risky, this will pave way for lower interest rates.’ This is corroborated by Chodechai (2004) ‘borrowers who give less collateral for their financing indicate higher levels of risk while firms giving higher collateral are charged low interest rates and vice versa. On the contrary, the reverse signaling argument states that banks only require collateral and or guarantors for relatively risky firms that also pay higher interest rates. This counter theory postulates that firms perceived to be less risky require pledging low or no premium as opposed to firms perceived to be riskier (Chodechai, 2004). The foregoing indicates a possible explanation that money deposit banks are either encouraged or discouraged to lend to the farmers depending on the signal given by their collateral (Radevic & Ahmedin, 2010).

In summary, agricultural development can be enhanced given adequate working environment which features conducive access to loan finance and low interest rates that

will attract the interest of farmers and entrepreneurs. Enabling environment and plausible policies should be considered to impact the provision of financing facilities by banks. This will provide dual effect on the growth of entrepreneur-farmer roles and economic development.

2.5 EMPIRICAL REVIEW

The empirical works of Onoja et al (2012) demonstrated an increasing trend of agricultural credit supply in the Nigerian economy immediately after financial sector reforms. Udah and Obafemi (2012) employed the variance decomposition and impulse response paradigms to test whether or not financial sector variables stimulate the growth of output in the agricultural and manufacturing sectors of the Nigerian economy. The results suggest that relaxing the financial sector development constraints and deepening the financial sector are crucial to boosting economic growth in Nigeria.

Other critical views appraised the role of commercial banks and Federal Government intervention funds as advancing the growth of the agricultural sector between 1999 and 2006, which enhanced the success of agricultural financing (Nnamocha 2015, Nwankwo 2013). Further insights revealed that the real sector relies on the banking system for working capital with which to purchase inputs locally and abroad. Increases in bank lending rates compound the problems of rising cost of working capital, thereby inhibiting the supposed improvement in creating access to loanable funds at reduces interest rates (Onoja and Agumagu (2009), Akinyele and Osinubi (2006). Ikenna (2012) applied time series data from 1970-2009 on an Autoregressive Distributed Lag (ARDL) – Based Test Model to test for the long and short run impact of financial deregulation and the possibility of a credit crunch in the real sector. The results suggested ‘that deregulating the Nigerian financial system had an adverse boomerang effect on the credits allocated to the real sectors in the long run, and in the short run financial liberalization was all insignificant and negative’. Ikenna added that Deposit Money Banks (DMBs) in Nigeria have a strong discriminatory credit behavior towards the real sector (agriculture and manufacturing) and the SMEs. This is due to credit crunch presence in these sectors both in the short and long run. Both theories, date back to Schumpeter (1934), and more recent empirical research into the use of loan financing (e.g. King and Levine 1993a, 1993b; Rajan and Zingales 1998; Petrick, 2004;

Alalade et al (2013) examined the relationship and causality between micro-finance bank operations and entrepreneurship development in Ogun state, Nigeria. The study adopted the survey research design, the study revealed that there is no significant impact of micro-finance bank operations on entrepreneurial development in the state. Imoughele and Ismaila (2013) also investigated the impact of commercial bank credit accessibility and sectoral output performance in Nigeria economy for the period which spanned between 1986 and 2011. An augmented growth model was estimated via the Ordinary Least Square (OLS) techniques. The result found that the various commercial bank credit supply had a long-run relationship with sectorial output performance in Nigeria.

METHODOLOGY

3.1 Research Design

Assessment on the impact of interest rate on loan to agriculture and growth of agricultural sector in Nigeria. For this purpose, a research design was adopted by which questionnaires are designed and administer to agribusiness men randomly selected agro allied public limited liability companies in Nigeria.

3.2 The Population and Sample of the Study

A population is a set of existing unit usually people, objects, transactions, or events that we are interested in studying. (Ibrahim, 2012). While sample of a study is a subset of the units of a population (Ibrahim, 2012). The population of this study consists of agribusiness customers of First Bank, Nigeria plc and United Bank for Africa randomly selected. The sample size of the study consists of 87 persons including investors and top level management randomly selected from the population.

3.3 Sources of Data.

Data were collected from both primary and secondary sources. The secondary source include literature review from various written documents such as journals, textbooks, and internet, while the primary data was collected through questionnaires administered to agribusiness customers of First Bank, Nigeria plc and United Bank for Africa.

DATA ANALYSIS, INTERPRETATION AND DISCUSSION

4.1 Data Analysis and Interpretation

The data for the analysis were from the response to the questions set out in the questionnaire. A copy of which is reproduced in the Appendix. A total of 87 questionnaires were distributed and retrieved. This is accordingly shown in the table below. This section starts with the analysis of the socio economic characteristics of respondents, and this has to do with the information relating to the personal characteristics of individual respondents as answered on section A of the questionnaires. Clearance of this analysis will be further presented in tables to show such characteristics.

Socio-Economic Characteristics of the Respondents

Characteristic	Categories	Frequency	Percent (%)
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SEX	MALE	52	59.8
	FEMALE	35	40.2
	Total	87	100
AGE	18-30	31	35.6
	30-40	32	36.8
	40-50	15	17.2
	50 and above	9	10.3
	Total	87	100
MARITAL STATUS	SINGLE	36	41.4
	MARRIED	39	44.8
	DIVORCED	6	6.9
	WIDOWED	6	6.9
	Total	87	100
EDUCATIONAL QUALIFICATIONS	SSCE	12	13.8
	OND	11	12.6
	HND	18	20.7
	MSC/MBA	14	16.1
	BSC	32	36.8
	OTHERS	0	0.0
	Total	87	100
DISCIPLINARY BACKGROUND	SOCIAL SCIENCES	24	27.6
	ARTS	12	13.8
	EDUCATION	13	14.9
	MANAGEMENT	26	29.9
	OTHERS	12	13.8
	Total	87	100

POSITION IN THE COMPANY	JUNIOR STAFF	29	33.3
	MIDDLE LEVEL	28	32.2
	SENIOR LEVEL	30	34.5
	Total	87	100

Source: Field Survey, (2024)

From Table 4.1, in terms of gender, there were 52 male and 35 female respondents representing 59.8% and 40.2% respectively. In terms of Age, 31(35.6%) respondents are within the age bracket of 18 – 30, 32(36.8%) of them are between 30 – 40 years of age, 15(17.2) and 9(10.3) of the respondents are between 40 – 50 years and 50 years and above respectively.

As regard marital status, 36(41.4%) of the respondents are single, 39(44.8%) are married; 6(6.9) of the respondents are divorcees, while another 6 of the respondents indicated they were widowed representing 6.9%.

Also, 12(13.8%) of the respondents had SSCE as the highest certificate, 11(12.6%) possess OND, 18(16.1%) had HND, while 32(36.8) and 14(16.1%) of the respondents are BSC and MSC/MBA holders respectively.

In terms of respondent disciplinary background, 24 of the respondents representing 27.6% are Social Scientist, 12(13.8%) graduated from Arts related courses, 13(14.9%) of them are Educationist, 26(29.9%) are Management Scientist, while 12(13.8%) claim that they possess other disciplinary background.

Regarding respondents position in organization, 29(33.3%) of the study sample are Junior Staff, 28(32.2%) are Middle level Staff, while 30(34.5%) of the respondents are respondents Senior Staff.

4.1 Data Analyses

In order to answer the research questions stated in chapter one of this study and also test the corresponding hypotheses; the following tables below presents the analysis of the data gathered from the respondents on the various questionnaires distributed. The researcher used frequency counts and percentage analyses while the chi-square analysis was employed at 5% level of significance in order to test the formulated hypotheses.

Key:

AST = Agree Strongly

ASI = Agree Slightly

NS = Not Sure

DSI = Disagree Slightly

DST = Disagree Strongly

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Research question one: Does Interest rate have effect on the use of loans for agribusiness.						
S/N	Items	AST (%)	ASI (%)	NS (%)	DSI (%)	DST (%)
1	I have apply for loan in bank before	65 (74.7) *	16 (18.4)	3 (3.4)	3 (3.4)	0 (0.0)
2	The type of interest rate on loan does not encourage	54 (62.1)	31 (35.6)	3 (3.4)	0 (0.0)	0 (0.0)
3	the position of recovery against the Bank loan does discouraging	65 (74.7)	15 (17.2)	5 (5.7)	1 (1.1)	1 (1.1)
4	It is difficult some time to acquire loan from bank as a result of interest involved	55 (63.2)	27 (31.0)	5 (5.7)	1 (1.1)	0 (0.0)
5	I have been encourage with the loan given by my bank to bust my business.	53 (60.9)	22 (25.3)	4 (4.6)	6 (6.9)	2 (2.3)
6	Interest rate have effect on the use of loans for agro business.	48 (55.2)	25 (28.7)	9 (10.3)	4 (4.6)	1 (1.1)
7	most time bank don't give loan to agrimen because of the time of retuning and meet with the time required to pay	61 (70.1)	22 (25.3)	1 (1.1)	3 (3.4)	0 (0.0)
8	type of loan given to Agriculture & Allied Activities does not encourage	52 (59.8)	28 (32.2)	5 (5.7)	2 (2.3)	0 (0.0)
	Total	453	186	35	20	4

Average observed responses (to all five (5) questions)	56.6	23.3	4.4	2.5	0.5
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* Percentages in parentheses

From table 4.3, it can be deduced that a total number 65 or 74.7% and 16(18.4%) of the respondents Agreed strongly and Agreed slightly respectively that they I have apply for loan in bank before. 3 of the respondents representing 3.4% were not sure, while another 3 of the respondents or 3.4% disagree slightly, none of the respondent or 0.0% of the respondents disagreed strongly.

Similarly, 54 or (62.1%) and 31 (35.6%) of the respondents were Agreed Strongly and Agreed Slightly that the type of interest rate on loan does not encourage them, but only 3(3.4%) respondents were Not Sure, while 0(0.0%) and 0(0.0%) of the respondents were Disagreed Slightly and Disagreed Strongly respectively.

Also, 65 respondents representing (74.7%) respondents and 15(17.2%) Agreed Strongly and Agreed Slightly that the position of recovery against the loan of Bank is discouraging, while 5(5.7%) were Not Sure, only 1(1.1%) and 1(1.1%) of the respondents Disagreed Slightly and Disagreed Strongly respectively.

Seeking opinion on whether It is difficult some time to acquire loan from bank as a result of interest involved, 55 of our respondent representing (63.2%) Agreed Strongly, 27 representing 31.0% Agreed Slightly, 5(5.7%) opted for Not Sure, while 1 of the respondent representing (1.1%) and 0(0.0%) were Disagreed Slightly and Disagreed Strongly respectively.

53 of the respondent representing 60.9% and 22 representing 25.3% Agreed Strongly and Agreed Slightly respectively with the opinion if you have been encourage with the loan given by my bank to bust my business., 4 of the respondent representing 4.6% were Not Sure, while 6 of the respondent representing (6.9%) and 2(2.3%) did not agree with the statement hence Disagreed Slightly and Disagreed Strongly respectively.

Our respondent supported the view that Interest rate have effect on the use of loans for agricultural business., as 48 of the respondent representing 55.2% Agreed Strongly, 25 representing 28.7% Agreed Slightly, 9(10.3%) opted for Not Sure, while 4 of the respondent representing (4.6%) and 1(1.1%) were Disagreed Slightly and Disagreed Strongly respectively.

On whether most time bank don't give loan to agrimen because of the time of retuning and meet with the time required to pay as 61 of the respondent representing 70.1% Agreed Strongly, 22 representing 25.3% Agreed Slightly, 1(1.1%) opted for Not Sure, while 3 of the respondent representing (3.4%) and 0(0.0%) were Disagreed Slightly and Disagreed Strongly respectively.

Our respondents uphold the assertion that most time bank don't give loan to agrimen because of the time of retuning and meet with the time required to pay, hence 52 of the



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respondent representing 59.8% Agreed Strongly, 28 representing 32.2% Agreed Slightly, 5(5.7%) were for Not Sure, while 2 of the respondent representing (2.3%) and 0(0.0%) were Disagreed Slightly and Disagreed Strongly respectively.

Does provision of credit facilities have relationship with the performance of agribusiness.

S/N	Items	AST (%)	ASI (%)	NS (%)	DSI (%)	DST (%)
9	Since I have been operating with my bank I have been granted credit	50 (57.5) *	20 (23.0)	4 (4.6)	12 (13.8)	1 (1.1)
10	Loan is one of type of financing I have use during its first two years			6 (6.9)		
		62 (71.3)	19 (21.8)		0 (0.0)	0 (0.0)
11	Provision of loan from my bank has encourage me in doing my agricultural business	57 (65.5)	23 (26.4)	5 (5.7)	2 (2.3)	0 (0.0)
12	Awareness of loan opportunities has make me to be aware of getting loan from my bank	54 (62.1)	29 (33.3)	3 (3.4)	1 (1.1)	0 (0.0)
13	Reduction of interest rate has encourage me more in acquiring loan from my bank	63 (72.4)	23 (26.4)	1 (1.1)	0 (0.0)	0 (0.0)
14	provision of credit facilities have been helpful in getting loan from my bank	70 (80.5)	19 (21.8)	7 (8.0)	4 (4.6)	1 (1.1)
	Total	356	133	26	19	2
	Average observed responses (to all five (5) questions)	59.3	22.2	4.3	3.2	0.3

* Percentages in parentheses

In Table 4.4 above, it was gathered that Since I have been operating with my bank I have been granted credit. This view is reflected in the responses of 50 or 57.5% and 20 (23.0) Agreed Strongly and Agreed Slightly respectively, 4(4.6%) were Not Sure, 12 of the respondents representing (13.8%) and 1(1.1%) Disagreed Slightly and Disagreed Strongly respectively.

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62 respondents representing (71.3%) and 19(21.8%) believe that Loan is one of type of financing I have use during its first two years, but 6 of the respondent representing 6.9% were Not Sure, while none 0(0.0%) and 0(0.0%) Disagreed Slightly and Disagreed Strongly with the statement.

Respondents also support the assertion that Provision of loan from my bank has encourage me in doing my agricultural business. This is evidence by the respondents opinion which shows that 57 of the respondent representing (65.5%) and 23 representing (26.4%) Agreed Strongly and Agreed Slightly respectively, while only 5(5.7%) were Not Sure, 2(2.3%) and 0(0.0%) Disagreed Slightly and Disagreed Strongly.

Our respondents uphold the assertion that Awareness of loan opportunities has make me to be aware of getting loan from my bank. This we gathered from their responses where 54(62.1%) Agreed Strongly, 29(33.3%) Agreed Slightly, 3(3.4%) Not Sure, while 1(1.1%) Disagreed Slightly and 0(0.0%) Disagreed Strongly.

Again, the respondent support the view that Reduction of interest rate has encourage me more in acquiring loan from my bank as 63 of the respondent representing (72.4%) Agreed Slightly Strongly, 23(26.4%) Agreed Slightly, only 1(1.1%) were Not Sure, while 0(0.0%) Disagreed Slightly and 0(0.0%) Disagreed Strongly.

The respondents also support the view that provision of credit facilities have been helpful in getting loan from my bank as 70 of the respondent representing (80.5%) Agreed Slightly Strongly, 19(21.8%) Agreed Slightly, only 7(8.0%) were Not Sure, while 4(4.6%) Disagreed Slightly and 1(1.1%) Disagreed Strongly.

4.3 TESTING OF HYPOTHESIS

Hypothesis 1: Interest rate has no significant effect on accessing of loans by agribusiness men.

Table 01: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Respondents' perception on interest rate first bank	44	4.9079	9.39188	1.52356
Respondents' perception on interest rate UBA	43	2.3693	.57690	.08697

Table 02: One-Sample Test

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Respondents' perception on interest rate first bank	1.252	44	.218	1.90789	-1.1791	4.9949
Respondents' perception on interest rate UBA	-7.252	43	.000	-.63068	-.8061	-.4553

The One-Sample T-test above shows a comparison of interest rate on the access to loan by agripreneurs by First Bank Nigeria Plc. Customers. It reveals that the mean score associated with the respondents' perception of the interest rate on access to loan was 4.9097 with the standard deviation of 9.39188 and a standard error mean of 1.52356 against a test value of 3, this resulted in a mean difference of 1.90789. A t-test for significance of the mean difference was at 5% (96% confidence) at 0.218 significance 2-tailed test. Consequently, the null hypothesis is accepted, while the alternate hypothesis is rejected ($p > 0.05$) while that of UBA, reveals that the mean score associated with the respondents' perception of the effectiveness of interest rate on access to loan was 2.3693 and a standard deviation of .57690 and a standard error mean of .08697 against a test value of 3, this resulted in a mean difference of -.63068. A t-test for significance of the mean difference was at 1% level (99% confidence level) at 0.00 significance 2-tailed test. Consequently, the null hypothesis is rejected, while the alternative hypothesis is accepted ($p < 0.05$).

Hypothesis 2

There is no significant relationship between provision of credit facilities and the performance of agribusiness.

Table 03: One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Respondents' perception on credit facilities provision first bank	44	4.0592	6.57202	1.06612

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Respondents' perception on credit facilities provision UBA	43	3.6932	4.25457	.64140
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Table 04: One-Sample Test

	Test Value = 3					
	T	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
Respondents' perception on credit facilities provision first bank	.994	44	.327	1.05921	-1.1010	3.2194
Respondents' perception on credit facilities provision UBA	1.081	43	.286	.69318	-.6003	1.9867

The One-Sample T-test above on the performance of agribusiness in First Bank Nigeria Plc, customers revealed that the mean score associated with the respondents' perception on the creation of credit facilities was 4.0592 with the standard deviation of 6.57202 and a standard error mean of 1.06612 against a test value of 3. This resulted in a mean difference of 1.05921. T-test for significance of the mean difference was at 5% (95% confidence level) was 0.327 sign Consequently, the null hypothesis is accepted, while the alternate hypothesis is rejected ($p > 0.05$). Analysis of UBA responses indicated that the mean score associated with the respondents' perception on the creation of credit facilities on the performance of agribusiness was 3.6932 and a standard deviation of 4.25457 and a standard error mean of 0.64140 against a test value of 3, this resulted in a mean difference of 0.69318. A t-test for significance at 5% level (95% confidence level) gave 0.286 significance 2tailed test. Consequently, the null hypothesis is accepted, while the alternate hypothesis is rejected ($p > 0.05$).

4.4 Discussion of Result:

The foregoing analysis reveals that interest rate has no effect on the access to loan by agripreneurs. This presupposes that a relatively low interest rate has influence on bank customers embracing bank loan offered by the First bank plc. While the analysis of UBA data depicts that interest rate has effect on the access to loans by agribusiness men due to the high interest rate offered by UBA. Banks should therefore, allow low interest rates on agribusiness loans or any agricultural related loan.

In normal business parlance, accessibility to credit facilities where agri-businessmen have liquidity challenges should influence performance. The result of this analysis however indicates that the provision of credit facilities does not have effect on the performance of agribusiness. According to the respondents, if a customer borrows money and uses the money for the business, but encounters adverse situations such as bad weather, natural disasters and sudden death of the animals among others, performance will be negatively affected. However, according to Modigliani and Miller (1958), a useful combination of liquidity and loan facility sets the business for a better performance.

SUMMARY OF FINDING

The study reveal that reveals that interest rate has no effect on the access to loan by agripreneurs. This presupposes that a relatively low interest rate has influence on bank customers embracing bank loan offered. While the analysis of data depicts that interest rate has effect on the access to loans by agribusiness men due to the high interest rate offered. Banks should therefore, allow low interest rates on agribusiness loans or any agricultural related loan. The result of this analysis however indicates that the provision of credit facilities does not have effect on the performance of agribusiness. According to the respondents, if a customer borrows money and uses the money for the business, but encounters adverse situations such as bad weather, natural disasters and sudden death of the animals among others, performance will be negatively affected.

5.2 CONCLUSION

Under normal and favourable investment environment, investors in agribusiness will embrace loans that bear low interest rates to enable expansion or finance other areas of need. This was noted from the respondents' claim. Ensuring availability of finance opportunities, applying these resources for the benefit of investors in entrepreneurship, agribusiness and larger business sectors will actualize attainment of economic growth. It is worthy of note that microfinance banks have more inclination with the rural sector which also identifies the larger presence of farmers, thus an enabling framework that defines expected influence by the banks on agribusiness, access to finance at reduced interest rate such that the overall economic growth is attained should be considered.

5.3. RECOMMENDATIONS

There is a need to consider harmonising interest rate policies with the vision on agribusiness. Banks should be more involved in creating an enabling framework for agribusiness in order to perform effectively. It is considered important for the Apex bank (CBN) to review the position of Banks in line with the role being played in influencing the development of the financial sector. Microfinance banks (MFBs) are closer to the rural sector where farming and related activities take place, MDBs might consider more proactive financing programmes using the MFBs as a medium of carrying out such efforts. Equally important is the need to organize agricultural value chain that will enhance supply

linkages and cost management in terms of farm inputs in order to improve the income generation capacity of men and women in agribusiness.

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QUESTIONNAIRE

SECTION A (Respondents Personal Information)

1. Sex: male [] female []
2. Age: 18-30 [] 30-40 [] 40-50 [] 50 and above []
3. Marital status: single [] Married [] Divorced [] Widowed []
4. Educational qualifications: SSCE [] OND [] HND [] MSC/MBA [] Other []
5. Disciplinary background: Social sciences [] Arts [] Education [] Management [] Others []
6. Position in the company: Junior staff [] Middle level [] Senior level []

Research question one: Does Interest rate have effect on the use of loans for agribusiness.						
S/N	Items					
1	I have apply for loan in bank before					
2	The type of interest rate on loan does not encourage					
3	the position of recovery against the Bank loan does discouraging					
4	It is difficult some time to acquire loan from bank as a result of interest involved					
5	I have been encourage with the loan given by my bank to bust my business.					
6	Interest rate have effect on the use of loans for agro business.					
7	most time bank don't give loan to agrimen because of the time of retuning and meet with the time required to pay					

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8	type of loan given to Agriculture & Allied Activities does not encourage					
Does provision of credit facilities have relationship with the performance of agribusiness.						
S/N	Items					
9	Since I have been operating with my bank I have been granted credit					
10	Loan is one of type of financing I have use during its first two years					
11	Provision of loan from my bank has encourage me in doing my agricultural business					
12	Awareness of loan opportunities has make me to be aware of getting loan from my bank					
13	Reduction of interest rate has encourage me more in acquiring loan from my bank					
14	provision of credit facilities have been helpful in getting loan from my bank					