

Investigation of Funding Access of Broiler Producers in Otukpo North Central Nigeria

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Abstract

This study investigated funding access of broiler producers in Otukpo north central Nigeria. A simple random sampling technique was used to select 240 broiler producers, and information obtained via the use of structured questionnaire. The tools used for data analysis were descriptive statistics. The result revealed that majority of the respondents 40.80% were between the ages of 40-49 years. 59.20% were females with male constituting 40.80%, 66.20% were married, 49.20% had their household size ranging from 6-10 persons, majority 56.70% of the broiler producers have tertiary education as qualification, 63.70% belong to co-operative society, 67% had informal source as major source of venture capital, 50.00% of broiler producers in otukpo LGA. It is recommended that government and other stakeholders in agribusiness sector should provide a hitch free and adequate access to credit be encouraged for improved venture capital volume of entrepreneurs (broiler producers).

Keywords: Broiler producer, Venture capital, Otukpo.

Introduction

Nigeria, like many developing countries, has continued to experience protein deficiency in the diet. It is generally agreed amongst production expert and economists that developing the poultry industry would provide the fastest means of combating the problem of protein deficiency. The advantage which poultry has over other animals' livestock stems from several factors. Cardinal amongst these factors is that Poultry has short generation interval and quick return to capital investment, Poultry production requires relatively low capital per head of stock (Adu, 1996). Changes in government policies occasioned by a general economic recession has been identified as the serious challenges facing the poultry industry. There has been an astronomical increase in the cost of production, especially the cost of feeds day old chicks, drugs and other sundries. The high cost of production has greatly reduced the returns and has made many farmers to abandon the enterprise and discouraged investors, hitherto interested in the business. In spite of these economic issues saddling the sub sector, poultry production still holds a strong panacea for ameliorating the protein gap in Nigeria.

Source of venture capital (financial institutions) can be categorized into three groups such as formal, semiformal and informal. Formal source includes commercial banks, microfinance banks, Bank of Agriculture (BOA) and state government owned financial institutions, semiformal such as nongovernmental organizations microfinance institutions (NGO-MFI) and cooperative societies and Informal source include personal income, friends, relatives and neighbours, money lenders, cooperative societies and self-help

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groups. According to Ejike, (2012) informal source of venture capital is distinguished from the formal source of venture capital because strict rules and conditions are not normally observed before accessing the fund. Venture capital is an important source of self-funding for startup firms among commercially viable agribusiness ventures (Higgins and Holness, 2005). Agribusiness entrepreneurs are seen as agents for accelerating the socio-economic development of a country and are regarded as nation builders and wealth creators (Higgins and Holness, 2005). They are economic agents who play a vital role in the economic development of a country. Thus agribusiness entrepreneurs usually source for startup capital (venture capital) which will be used for financing the emerging new business firms. Studies carried out by Weber (2007); Koh (2002); Onwumere, Mbanasor and Nwadihoha (2010); confirm lack of venture capital as a problem against the enhancement of output realization for poultry agribusiness operators and their wellbeing. For this reason, this study aims to investigate funding access of broiler producers in Otukpo as a means of ascertaining their productivity.

Materials and Method

Study Area

The Study Area of this research work is Benue State Nigeria. The State derives its name from River Benue, the second largest river in Nigeria. The State which was created in 1976 lies within the lower river Benue trough in the middle belt region of Nigeria. Its geographic coordinates are, longitude 7° 47' and 10° 0' East and Latitude 6°25 and 8° 8' North of the Greenwich meridian. The State shares boundaries with five other States namely, Nasarawa State to the North, Taraba state to the East, Cross-River State to the South, Enugu State to the South-West and Kogi State to the West. The State also shares a boundary with the Republic of Cameroon on the South-East (Onlinenigeria, 2003). The State occupies a land mass of 34,059 square kilometers with twenty-three (23) Local Government Areas. Agriculture forms the back bone of the Benue State economy, engaging more than 70 percent of the working population. The State has a total population of 4,253,641 million people (N P C, 2006).

Hypothesis Statement

H₀₁: there is no significant difference between venture capital and broiler producers' sales income in the study area.

Population and Sampling Procedure

The population for this study embraced all broiler producers in Otukpo Benue State using the sampling frame of forty (40) broiler producers in Otukpo from the list maintained by Benue Agricultural and Rural Development Authority (BNARDA) extension agents.

Data Collection Techniques

Data were obtained from primary sources with the aid of well-structured questionnaire and personal interviews. The total number of questionnaires administered to the respondents in this study were two hundred and fifty three (253). However, two hundred and forty (240) respondents returned their questionnaires. This puts the total valid questionnaires returned in this study at two hundred and forty (240).

Data Analysis Techniques

Data collected was analyzed using descriptive and inferential statistics such as means, percentages, frequency, bar-chart and pie-chart. The hypothesis put forth was tested using paired-sample T-test.

A Priori Expectation

Personal savings, value of assets and source of capital from financial institution, firm age, tax and registration with Corporate Affairs Commission (CAC) is expected to influence venture capital positively.

Results and Discussion

Table 1 shows the distribution of the socio-economic characteristics of the respondents. The age group of 40-49 years with average age percentage of (40.80years) contributed the highest number of broiler agribusiness producers than the other categories in the study area. This implies that the broiler producers

are vibrant and energetic people, this would have provided adequate labor force for the broiler business. This is in agreement with (Onwumere and Alamba, 2012), who say that age range between 40 and 49 is seen as the prime age of productivity. This also is in agreement with the findings of Adebayo (2012) who posited that people in age bracket of 40 and 49 years are more economically active and independent than those in the age group of less than 21 years and above 49 years.

As shown in Table 1, (59.20%) respondents were females, this implies that a greater proportion of broiler producers are female in the study area, which indicate that female folks are more involved in broiler business in the study area than males. This was in agreement with (Oladele 2001) in a study on gender analysis of livestock production that women were reported to be more involved in the production of poultry. The extensive system of management that is often applied in the production of these livestock was suggested to be the reason for the involvement of women in these enterprises. Also, the table revealed that 33.80% of respondents were single while 66.20% were married, this shows that majority of the respondents in the study area are married and this indicate that most of the respondents are responsible individual contributing to labour and ideas in the growth of the enterprise.

Majority of (49.20%) have their household size from 6-10 persons (39.50%) and (11.30%) respectively. This means that family labour may be employed to a large extend in the business in order to reduce cost of production resulting from the use of hired labour. This observation is in conformity with the studies conducted by Adu (1996) that family labour is still important in laying supplementary role to cushion the high cost of hired labour in commercial poultry enterprises.

Majority (60.80years) of broiler producers have years of business experience ranging from 1-10 years. This would immensely contribute positively to their broiler business output due to the wealth of experience acquired over the years of running the business. This means that management and other costs of production will be optimally utilized by the broiler producers to enhance their income generation, which subsequently will bring sustainability to broiler production.

Distribution of respondents on membership of cooperative societies in Table 1 revealed that majority (63.70%) belong to co-operative society while (36.30%) do not belonged, those who belong to co-operative society have the highest percentage which implies that broiler producers in the study area find it more convenient in savings through co-operative than any other financial institution for venture capital utilization. Educational level in Figure 1: revealed that majority (56.70%) of the broiler producers has tertiary education as qualification, this means that larger proportion of the farmers had tertiary education which indicate that positive changes on improved production systems are likely to be warmly-accepted as compared to farmers who have low level of education.

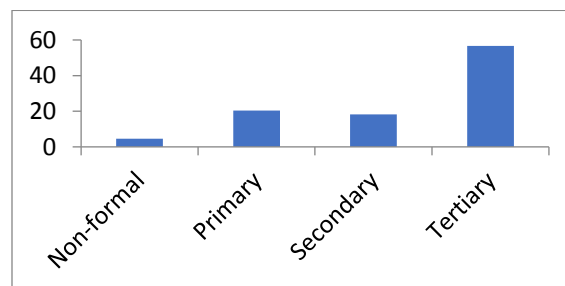


Figure 1: Bar chart For Educational Level of the Respondents

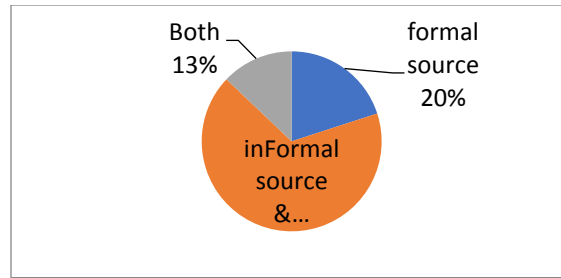


Figure 2. Analyses of Broiler Producers Based on Sources of Venture Capital in Benue State

Table 1: DISTRIBUTION OF BROILER PRODUCERS ACCORDING TO SOCIO ECONOMIC CHARACTERISTICS

| Item | Frequency | Percentage |
|---------------------------------------|------------|------------|
| Age | | |
| 20 – 29 | 42 | 17.50 |
| 30-39 | 59 | 24.60 |
| 40-49 | 98 | 40.80 |
| 50-59 | 36 | 15.00 |
| 60 and above | 5 | 2.10 |
| Total | 240 | 100 |
| Sex | | |
| Male | 98 | 40.80 |
| Female | 142 | 59.20 |
| Total | 240 | 100 |
| Marital status | | |
| Single | 81 | 33.80 |
| Married | 159 | 66.20 |
| Total | 240 | 100 |
| Household size | | |
| 1-5 | 95 | 39.50 |
| 6-10 | 118 | 49.20 |
| 11-15 | 27 | 11.30 |
| Total | 240 | 100 |
| Years of experience | | |
| 1-10 | 146 | 60.80 |
| 11-20 | 55 | 22.90 |
| 21-30 | 28 | 11.70 |
| 31 and above | 11 | 4.60 |
| Total | 240 | 100 |
| Member of co-operative society | | |
| Belong to co-operative society | 153 | 63.70 |
| Do not belong to co-operative society | 87 | 36.30 |
| Total | 240 | 100 |

Table 2: Source of Venture Capital

| Sources of Venture Capital | Frequency | Percentage |
|-----------------------------------|------------|------------|
| Commercial Bank | 22 | 9.20 |
| Agric Bank | 19 | 7.90 |
| Micro Finance | 51 | 21.30 |
| Co-operative and personal savings | 148 | 61.70 |
| Total | 240 | 100 |

The source of venture capital for broiler producers in the study area was analysed using descriptive statistics. The result in Table 2 shows that 9.20% of the respondents sought their venture capital through commercial bank, 7.90% from agric bank, 21.30% from micro finance while 61.70% sought their venture capital from co-operative loans and personal savings. Co-operative loan and personal savings have the highest percentage which implies that broiler producers in the study area find it more convenient to use co-operative and personal savings as a means of source of capital for their enterprise. This agree with the findings of Afolabi and Fagbenro,(1998), that co-operative society as source of credit is more popular among small scale farmers such as broiler producers which may be due to relative ease of obtaining credit devoid of administrative delays, non-insistence of security or collateral and flexibility built into repayment Programme.

Also in Figure 2, majority (67.70%) of broiler producers obtained their venture capital from informal source, (20.00%) from formal source and (12.90%) from both formal and informal source. This mean that, The informal source would have boosted returns on investment in their broiler business with the highest percentage of (67.70%), also most farmers may preferred to borrow from informal financial institutions citing reasons such as the cumbersome procedures, funds not given at the very time they are needed, high interest rates among others from formal lenders. They rather would prefer borrowing from other private commercial lenders and rural banks for the above reasons and also, most of the farmers have other sources apart from the poultry enterprise, meaning that most farmers do not depend on the business as the sole mean of livelihood. This has the tendency of increasing the amount being invested into the enterprise through plugging back the proceeds of the other enterprises. This is in agreement with Ejike,(2012) that informal source of finance is distinguished from the formal source because strict rules and conditions are not normally observed before accessing the fund.

An over view of broiler producers farm structure in terms of their farm size and location in terms of area or place where the farm is based in the three agricultural zones of the state presented in Figure 2; revealed that (50.00%) of broiler producers in Makurdi LGA have the highest farm structure location and, Kwande LGA broiler producers (34.20%) rank second and Otukpo LGA broiler producers ranked the third (15.80%). The Makurdi broiler producers having the highest farm structure location could be as a result of good awareness on the enterprise and the impact of university research on the environment, returns on investment and adequate marketing channel in the zone.

Conclusion

In this study, the investigation of funding access of broiler producers in Otukpo north central Nigeria is presented. Findings show that majority of the broiler producers sourced their capital from the informal sources and personal savings. Additionally, the formulated hypothesis was tested and rejected based on the findings from t-test. There exists significance difference between venture capital and incomes of producers in Otukpo and as such, it was recommended that stakeholders in agribusiness sector should

provide a hitch free and adequate access to credit be encouraged for improved venture capital volume of entrepreneurs (broiler producers).

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