

Effect of Loans on Rural Farmer's Production Output: A Case Study of Rwobuziizi Ward, Bufunda Division Ibanda Municipality

A RESEARCH TO HELP REURAL FARMERS WITH INFORMATION PRIOR GETTING BANK LOANS

Turabiirwe Lovence, Ben Okalang, Tukundane Adodia

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List of Abbreviations Used

1-NAADS, National Agricultural Advisory Authority

2-DLG, District Local Government

3.Heads of Departments

Abstract; The purpose of the study was to investigate the Effect of loans on rural famer's production out put. Objective of the study were; To analyses types of rural loans given to famer's to boost production, to assess requirements of loan to famers, To examine effects of loans on rural famer's production out puts. Time scope, This research covered the period of 2021-2022 (post Covid-19 Era) and areas like the total loan and GDP. Moreover, the study is limited to the Uganda n economy. It is equally limited by time and limited source of data. Content of the Scope, This study is organized in five chapters and data analyzed from empirical stand point. The first chapter talks on introduction of the loans, its impact on effects of loans on rural famer's production out puts, Geographical Scope The research was carried out in Rwobuziizi Ward, bufunda Division-Ibanda. Effects of loans on rural famer's production out puts. The finding showed that 8.3% Conventional Loans, Conforming Loans is 41.7 of Secured Loans is 16.7%and Non-Conforming Loans 33.3%.Types of loans. 33.3% of the respondents agreed that Production and yield risks uncertainty with 41.7% of the respondent agreed, Infrastructure and the impact had 16% and 8.3%showed that Market and price risk fluctuations in price. Requirements of loan to famers.8.3% Location Income, Assets is 41.7, and collateral 33.3%.

1.0 Introduction.

The chapter presented the background of the study statement of the problem, purpose of the study Objectives of the study, research questions and the significance of the study.

1.1 Background to the study

In finance, a loan is the lending of money from one individual, organization or entity to another individual, organization or entity. A loan is a debt provided by an organization or individual to another entity at an interest rate, and evidenced by a promissory note which specifies, among other things, the principal amount of money borrowed, the interest rate the lender is charging, and date of repayment. A loan entails the reallocation of the subject asset(s) for a period of time, between the lender and the borrower. In a loan, the borrower initially receives or borrows an amount of money, called the principal, from the lender, and is obligated to pay back or repay an equal amount of money to the lender at a later time. The loan is generally provided at a cost, referred to as interest on the debt, which provides an incentive for the lender to engage in the loan. In a legal loan, each of these obligations and restrictions is enforced by contract, which can also place the borrower under additional restrictions known as loan covenants. Although this article focuses on monetary loans, in practice any material object might be lent. Acting as a provider of loans is one of the principal tasks for financial

institutions such as banks and credit card companies. For other institutions, issuing of debt contracts such as bonds is a typical source of funding. (Guttentag, 2012)

Agriculture loans are helpful in minimizing financial constraints encountered by farmers. Agriculture small loan schemes offer small rural farmers a simple access to loan. These schemes use non-formal loan-structural arrangements like collateral substitutes, group loaning, collateral free loans, short term progressive loans and varied installments schedules. The agriculture small loan institutional and operational framework is different than formal business financial institutions. The primary source of funds for agriculture small loan institutions is not on deposits collection. The agriculture small loan institutions provide financial services mostly to small scale and landless farmers. In addition to provide farming loan, agriculture loan institutions, SACCOs or Individuals also provide non-credit services like capacity building, vocational trainings and assisting in marketing of agriculture commodities. To fulfill the farmers' demand for optimal use of inputs in agriculture farming, an efficient credit market can be helpful for improving the efficiency of crops productivity, farmers' livings and sustained growth. (Feder, et.al., 1990).

In spite of recent improvements in agriculture loan sector, the increase in crop production is still a challenge. For agriculture small loan institutions, it is very important to understand the nature and context of agriculture crops and their potential role. Actually, agriculture financing needed a different approach as compared to typical microfinance organizations. The characterization of agriculture sector include the unpredictable returns on capital, slower velocity of capital, higher uncontrolled natural risks and lack of finance & business knowledge by farmers. Although it is believed that higher output levels can be achieved by applying new production technology but to gain access to such technology, credit is prerequisite particularly for the small subsistence farmers with little or no capital of their own. Hence, agriculture small loan is conceived very critical in enhancing crop production and mitigating many challenges associated with agriculture growth (Miller, 2011).

1.2 Statement of the Problems

Ugandan Government through effort made to support local government such as municipality, Town councils in projects like finance to cater for rural citizens particularly those in agriculture production a case in Uganda wealth creation ,NAADS,Centenary Bank Agriculture loan among others for better improvement of economy have motive agriculture production and assist farmers in linking farmers to suppliers with high quality seeds and fertilizers, low-cost banking maximize crop yields ,cover the costs of planting and harvesting and selling. Despite all these efforts in place farmers are continuously harvesting low output this need to study Impacts of loan

1.3 Purpose of the study

The purpose of the study was to investigate the Effect of loans on rural famer's production out put.

1.4 Objective of the study

- i. To analyses types of rural loans given to famer's to boost production.
- ii. To assess requirements of loan to famers.
- iii. To examine effects of loans on rural famer's production out puts.

1.5 Research question

The following question was guide the study.

- i. What are some of requirements of loan to famers?
- ii. What are types of rural loans given to famer's to boost production.
- iii. What are effects of loans on rural famer's production out puts?

1.6 Scope of the study

1.6.0 Time scope

This research covered the period of 2021-2022 (post Covid-19 Era) and areas like the total loan and GDP. Moreover, the study is limited to the Uganda n economy. It is equally limited by time and limited source of data.

1.6.1 Content of the Scope

This study is organized in five chapters and data analyzed from empirical stand point. The first chapter talks on introduction of the loans, its impact on effects of loans on rural famer's production out puts,

1.6.2 Geographical Scope

The research was carried out in Rwobuziizi Ward, bufunda Division-Ibanda

1.7 Significance of the Study

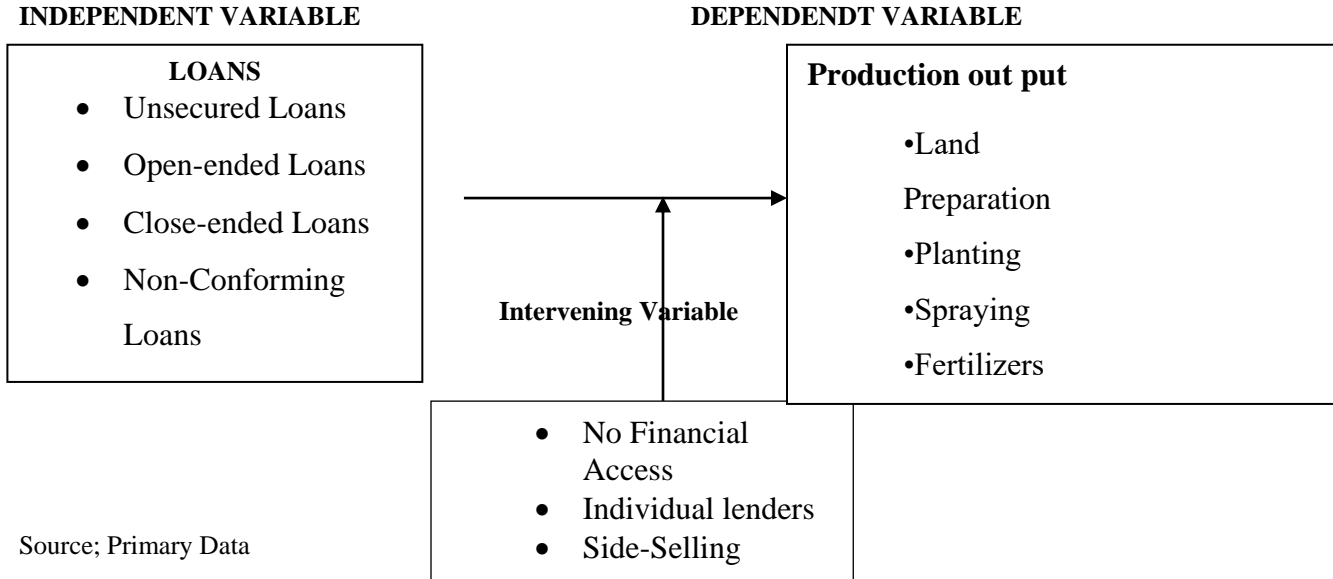
The outcome of the research project was to be of great benefit to the Small hold farmers, farm managers, and all people planning to get loans for Farming purposes. By identifying strengths and weaknesses of loans, policy formation can be made in future by drawing from the research outcome.

The research will help lenders, interested banks, SACCO's where Farmers/peasants in Rwobuzizi Ward get credit facilities. It was go a long way to adding to their knowledge when was be of great importance in the exercise of their responsibility of giving professional advices to their client.

On a personal note, the study would be an invaluable asset to this researcher to add on the number of publications.

1.8 Conceptual frame work

Figure 1: conceptual frame work



Source; Primary Data

This shows the relationship between two variables; the independent variable is loan which includes Unsecured Loans, Open-ended Loans, Close-ended Loans, Non-Conforming Loans and

Secured Loans The Dependent Variable is performance defined factors like Land, Preparation, Planting, Spraying and Fertilizers Performance depends on credit risk management system and to enhance the level of loan performance, institutions should make sure that credit management system is advance and working with high skilled employees in the institution. When client has been screened well and check by credit officer's production output No Financial Access

Low-Quality Resources, Limited Agricultural Skills, Side-Selling and No Access To Markets

The credit risk management system depends on client appraisal, credit terms and conditions which influence loan performance. credit management system contributes large portion on loan appraisal, if credit has been managed well causes improvements on production output and high profit among farmers. But if it is not it causes loan default, low profit and lack of cash flow in the institution.

METHODOLOGY USED

3.0 Introduction

This Chapter presents the research designs, techniques, method of data collection, study population, sampling and procedures of data collection, data presentation and analysis and the limitations.

3.1 Research design.

The researcher used a descriptive and analytical research design in establishing a relationship between loans and farmer's production. Both methods were applied in order to exhaust all the areas in research. The study is based on a single case study to enable a broad cross section of researchers in order to facilitate the great understanding of the phenomenon and apply a series of statistical tests to help in the presentation of the data to the researcher.

3.2.0 Population of the study

The study population consisted of mainly 70 Local People in Rwobuziizi Ward

3.2.1 Sampling size and composition

Table 1: Sample size and composition

Respondent	Population size
Chairperson Lcii	1
Ward Councillors	3
Chairperson Lci	10
Local farmers	45
Agriculture Expert-ward level	1
SACCos	3
Individual money lenders	7
TOTAL	70

rch was obtained after employing solven’s formula

Where by: n= the sample size

e = the level of significance, that is 0.05

N is total population of respondent that is 70

a= the level of significance that 0.05

$$n = \frac{n}{1 + n(e)2}$$

$$n = \frac{70}{1 + 70(0.05)^2}$$

$$n = \frac{70}{1 + 70(0.0025)}$$

$$\frac{70}{1.175}$$

$$N= 59.57$$

$$n = 60$$

Sampling size is 60

3.5 Research Instruments

3.5.1. Questionnaire

This is research used the self-administered questions that are structured and semi structured and the questionnaires were in two forms, namely:

The open ended questionnaire in which the responses by the participants are free according to their understanding.

The close ended questionnaire in which the response are provided by the researcher and the participants choose one of them accordingly, for example strongly agree, agree or strongly disagree.

The researcher left out questionnaires to mainly the literate group. These mainly included the staff members. The researcher also allowed / gave four days to respondents to study and fill the questionnaire.

3.5.2 Validity and Reliability

In order to ensure and maintain a high level of validity and reliability in this study, the researcher did the following: Questionnaires were pre-tested. Ambiguous questions were made clear and irrelevant questions deleted.

3.5.3 Data collection methods

Data was collected from both primary and secondary sources. Secondary data was got by reading newspapers, journals, text books plus the already existing information on internet and magazines. *Primary data was got from the field in Villages of Rwobuziizi I, Rwobuziizi ii, Rwobuziizi iii Rwobuziizi iv, Katembe, Rwemirama, Kankambwe, Ruyomba and Rwobuziizi trading centre* by Visiting farmers who have got some loans in the last 2 years especially Post Covid-19 Era.

3.5.5 During the data gathering

The nature of the work and busy schedule of some prospected respondents, the researcher through research assistants scheduled appointments for respondents. The researcher availed himself to give necessary explanation on some questions where need be.

3.5.6 After data gathering

Weeks, primary data collected through questionnaires which respondent returned back to the researcher to allow him to go ahead to analyze the data. Completed questionnaires were coded, edited, categorized and entered in to the computer for data processing and analysis.

3.6 Sampling Procedure

The study was carried out using purposive sampling. It is the sampling method used to carry out research for data for a specific purpose and this was applied by selecting top level and lower level management.

3.7.0 Data collection tools

The researcher used questionnaires, and interviews to obtain up-to-date information.

3.7.1 Questionnaires

The researcher set questions and devices to respondents to fill and the researcher used responses to make conclusion.

3.7.2 Interviews

These involve face-to-face interactions with the respondents where the interviewer asked questions that respondents answered.

3.8 Data presentation and analysis

The researcher analyzed and make complete interpretation of results. The data was collected together, compared and to enable the researcher to develop new ideas of other sources. The data presented in a report was documented and in form of tables, graphs and excel. The questionnaire was be edited to remove inconsistency.

3.9 Limitations of the study

Limited source of information

The research in this area was few therefore limitation of information on the study/research 8topic; however the researcher used internet to get information.

Scarcity of time

The limitation of time factor to complete the research, however the researcher budgeted well time properly to see that the report is finished in time.

The researcher was limited by finance

To facilitate conduct of research in terms of printing and looking for information, however the researcher tried to solicit for funds to enable a successful compilation of the research report or work.

SUMMARY OF FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

5.0 Introduction

This chapter covered conclusions, summary and recommendations

5.1 SUMMARY

Effects of loans on rural farmer's production out puts.

The finding showed that 8.3% Conventional Loans, Conforming Loans is 41.7 of Secured Loans is 16.7% and Non-Conforming Loans 33.3%

Types of loans

33.3% of the respondents agreed that Production and yield risks uncertainty with 41.7% of the respondent agreed, Infrastructure and the impact had 16% and 8.3% showed that Market and price risk fluctuations in price.

Requirements of loan to famers

8.3% Location Income, Assets is 41.7, Purchase is 16.7% and collateral 33.3%

5.1 Conclusion

Loan to motivate Agricultural extension to rural farmers reform requires policy vision and determination, and a nationwide strategy that can be implemented. Whether to decentralize and devolve, totally privatize or institute contractual arrangements with the private sector (including venture capital companies, non-governmental organizations, rural producer organizations, and extension advisory service firms), or promote end-user financing (or co-financing) of extension these are country-specific questions requiring systematic analysis and preparation, gradual change, system coordination and system oversight.

In putting together a strategy for extension and information services, it was useful to refer to the diversified strategies and the emerging consensus on lessons learned mentioned in section I of this paper, to the proposals regarding the design and implementation of communication for rural development cited in section II, and also to the considerations in section III regarding food security.

5.2 Recommendations.

The research recommends that parents and policy makers should be more involved in monitoring and guiding students on their engagements in social networks.

The study revealed that the rural farmers had limited access to agricultural credit. They are mostly constrained by many factors like non-availability of credit institution in the area, high interest rate required by the operators, lack of acceptable collateral security required to secure loan. To improve rural farmers' access to agricultural credit, the existing social organization/farmers groups should be strengthened and fortified. The group should be made accessible to all farmers in the rural area. Extension agents would be of great assistance in this respect. Awareness should be created by extension agents and also linking the rural farmers to available credit facilities. Farmers should also be encourage to applied for the credit as early as possible to avoid delay experienced in disbursing the fund.

Three major recommendations are put forward for consideration by governments. The first requires a strong, forwardlooking policy favouring agricultural extension and communication for agricultural and non-agricultural rural development with a focus on food security. The second proposes the establishment of a platform to promote dialogue and collaboration among all relevant sectors to favour extension/ communication activities for food security. And the third proposes public sector institutional change to enhance the new and expanded policy and strategy. Supporting these recommendations are a number of suggestions as to their accomplishment.

It is recommended that governments develop a new and expanded policy agenda for agricultural extension and communication for rural development focusing national attention on food security and income generation of the rural poor.

Establish Alliances with all Sectors. A national policy agenda would seek to establish alliances with all sectors in effort to develop programmes for food security and income generation among the rural poor. A rural agricultural extension/communication strategy embraces issues that include but go beyond those of production and access to food, thereby requiring linkages and collaborative efforts with other organizations, public and private, concerned with other, related basic human needs such as health, sanitation, and employment.

Develop Leaders Poor leadership is a serious problem. Rwobuziizi Ward is predominatry an agricultural ward, where by Most of its leaders should have got enough trainings on how to help Local farmers in Villages of Katembe, Rwobuziizi and Kankamwe improve on their fields using Parish Model Development funds, but the leadership of Municipality has not organised such trainings

Create agricultural development teams to respond to community-expressed needs. A multisectoral agricultural extension network needs to incorporate a variety of partners, including but reaching out beyond those involving agricultural research, education and extension. Certainly an important task were be to re-enforce research/agricultural extension linkages³⁴ by creating incentives such as grants for teamwork. But a new kind of teamwork is needed, among various rural development organizations, bringing together specialists from across disciplines and from various sectors knowledgeable about the agricultural process, including marketing and price relatives.

Finally, the Research advises the Central Gocernment of Uganda, to plan PDM.funds depending on the needs of the communities forexample Funds to be given to 36 selected families in rwobuziizi Ward can be used to create asufficient irrigation Scheme for Rwobuziizi ward and all sorrounding wards of Ruyonza, Nsasi, Kikoni Using the near by Kyambu water, that is available in the ward.

Acknowledgement

Firstly, I would like to thank the Almighty God for everything he has done for me, I also acknowledge the review team that took time to read this work and make corrections. The Local farmers of Rwobuziizi Ward that filled the Questionnaire, I thank you very much

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APPENDIX I: QUESTIONNAIRE

FOR THE RESPONDENTS

Dear respondents,

We humbly request you to spare some few minutes of your time and answer these questions below. The information provided will be strictly for this research purposes and will be treated with utmost confidentiality.

Please tick where necessary make a brief statement.

SECTION A: BACKGROUND INFORMATION

1. Gender

- a) Male
- b) Female

2. Age bracket

- a) 15-20years
- b) 21-25years
- c) 26-30years
- d) 31-35years
- e) 36-above

3. Level of education

- a) Certificate
- b) Diploma
- c) Degree
- d) Masters
- e) None of the above

4. Marital

- a) Married
- b) Single
- c) Divorced
- d) Others
- e) Other Specify

SECTION B: TYPES OF LOANS

Use a likert Scale to Rank the following alternatives from a-m use 1-5 where 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

	Statements	Rankings				
		1	2	3	4	5
a)	Unsecured Loans					
b)	Conventional Loans					
c)	Conforming Loans					
d)	Non-Conforming Loans					

SECTION C: EFFECTS OF LOANS ON RURAL FARMER'S PRODUCTION OUTPUTS.

Use a Likert Scale to Rank the following alternatives from a-j use 1= strongly agree (SA), 2= Agree (A), 3= Not Sure (NS), 4= Disagree (D), and 5= Strongly Disagree (SDA)

	Rankings				
	1	2	3	4	5
particularly where markets are likely to be imperfect					
Infrastructure and the impact					
Production and yield risks uncertainty					
Market and price risk fluctuations in price,					
Cost to serve					

APPENDIX II:

TIME FRAMEWORK

Activity	1	2	3	4	5	6	7	8	9	10	11	12
Proposal development												
Doing library and internet research												
Analysis												
Compiling data												
Submission of the proposal												
Review and editing the proposal												
Submission of the proposal												

APPENDIX III: BUDGET

ITEMS	UNIT COST	AMOUNT
Writing papers	25,000	25,000
Travels and transport for data collection team		1,200,000
Typing and printing and publicatin		300,000
Internet		150,000
Total		1,675,000

Author

Ms Turabirwe Lovence, Mr Ben okalanga, Mr Tukundane Adonia turabirwelovence@gmail.com, johnbenokalag@yahoo.com, adoniaturabirwe@yahoo.com, 0773450376